

Protecting Borrowers During the COVID Pandemic Public Listening Session - May 13, 2021

Prasant Sar:

Before we begin today's listening session, I do want to remind everyone that today's session is being recorded. Thank you. Good afternoon everyone. My name is Prasant Sar and I manage servicing policy here at FHFA. I will also be your moderator today.

Together we want to extend thanks to all of our attendees for your participation. We do greatly appreciate your setting aside time today to share your input on policies put into place over the course of the pandemic to protect borrowers.

With that it is my pleasure to introduce Deputy Director for the Division of Housing Mission and Goals, Sandra Thompson.

Sandra Thompson:

Prasant, thank you so much for that introduction. And thanks to all of our participants for joining FHFA and CFPB's listening session on Protecting Borrowers During the COVID Pandemic. I am very proud of the steps FHFA and the Enterprises have taken to provide critical protections for homeowners and renters. Our actions have helped keep borrowers in their homes.

FHFA's actions apply to mortgages backed by Fannie Mae and Freddie Mac, but they also set workable standards for the entire market. For homeowners facing foreclosure as a result of financial setbacks from COVID we suspended all single family foreclosures and foreclosure driven evictions. We allowed homeowners to take a timeout from mortgage payments through forbearance, and we allowed borrowers in forbearance, who returned to making monthly payments, to repay the payments they missed when they sell their home or refinance their loan.

As you all know, FHFA and the Enterprises do not have direct relationships with borrowers. The primary contact for homeowners is their servicer and FHFA does not regulate servicers. Therefore, we partnered with CFPB, which has jurisdiction over servicers' treatment of borrowers, to launch the Borrower Protection Program. And together, we helped create a website consolidating information on federal relief resources for both borrowers and renters. I want to thank CFPB for their leadership in creating and maintaining this critical cross-government resource.

We also updated and translated into five languages, servicer scripts to help clarify borrower options during forbearance, and consistently communicate important characteristics, specifically, that no lump sum is required at the end of forbearance. This was one of the early misunderstandings that borrowers had when the COVID-related forbearance plans were introduced.

Let me thank all on this call who have helped us develop and refine these critical policies. Going forward, we recognize that even as conditions improve, there will be borrowers who need extra assistance, and we're committed to conducting transactions very thoughtfully.

I have the honor of working with a world-class team of colleagues here at FHFA. But we recognize that we need access to perspectives outside of our daily regulatory and supervisory work in order to maintain a fulsome vision of the nation's housing finance system. That is why we rely on stakeholders throughout the housing finance system to bring us information and expertise that helps us do our job.

In this regard, we're hosting today's listening session, which gives us an opportunity to hear from you. Our exchange of information should not be limited to rulemakings, requests for inputs or formal listening sessions. We encourage you to continue to give us candid feedback in an ongoing conversation. Thank you again for sharing your expertise with us, and I'll now pass the mic to Mark McArdle from CFPB. Mark.

Mark McArdle:

Thank you, Sandra. I look forward to hearing from you all today. The impact of the pandemic and facilitating our recovery is the Bureau's top priority. And we've done a number of actions toward that end. In this last year, we've seen over -- almost two million folks fall at least three months behind in their mortgage. We'll see more of this from Black Knight coming up. But it is a key priority. There's also eight million rental households who are behind on their rent.

And in a recently released research brief that we released last week, we noted that the folks who are behind on their mortgage or their rent are disproportionately from communities of color, especially black and Latino borrowers. This is a priority for the Bureau on multiple levels.

We've seen improvements in the forbearance levels, but there are still 2.2 million folks on forbearance. And those folks owe approximately \$90 billion in deferred interest payment taxes and insurance. Hundreds of thousands of those borrowers will be exiting forbearance in the fall. And so while things are looking better, and we've seen a decline in forbearance levels, we're not out of the woods, and the Bureau is focused on what happens in the fall, and how servicers react, and making sure that consumers get the help they need and the response to their inquiries and help.

Protecting Borrowers During the COVID Pandemic Public Listening Session - May 13, 2021

Among the actions we've taken, Sandra noted the Interagency Housing Portal, that's received over 1.5 million hits. It is perhaps the most visited website that we've ever put up. And it has information about forbearance and exiting forbearance in multiple languages. It's accessible to borrowers and has links to finding your housing counselor, and to submitting a complaint.

We also have issued a number of guidances to servicers, including an IFR and FAQ's. Most recently, we issued the Notice of Proposed Rulemaking which closed for comment on the 10th, this Monday. And among other things, these actions encouraged servicers to work with borrowers during the pandemic, educate homeowners about their options, and servicers have the operational capacity to assist them.

Most notably, on April 1st we released a Compliance Bulletin which said that we are going to be closely tracking servicers, looking at complaint data and making sure that servicers respond timely to requests for assistance and do what they can to achieve positive outcomes for consumers.

We also recently released guidance. Let's see -- and finally, I just want to note that we've been tracking complaints and we released a recent report last week as well, which noted that complaints have, while they declined for most of the last year, have reached the highest level since March and April of last year. So we are not out of the woods, the Bureau is focused on this issue. We look forward to hearing from you and what you have to say today. And thank you for having us. And I will now turn it over to Kevin who will lay down some of the ground rules for today.

Kevin Sheehan:

Thank you, Mark. This is Kevin Sheehan, I'm a lawyer at the FHFA. We've invited everyone to meet with us today to hear your input on protecting borrowers during the COVID. As Prasant mentioned, we are recording this session and FHFA will prepare a transcript of the meeting, including your names and the organizations you represent. And we're going to post the recording and transcript on FHFA's website and our YouTube channel along with any documents and materials you've given us.

And so the purpose of this meeting is to give you an opportunity to share your input. FHFA and CFPB will be in a listening mode today, and the session is not related to, and we're not going to discuss the status, the timing or the outcome of any current or future rulemaking. If either of the agencies should decide to engage in a rulemaking on any of the matters discussed at this meeting, please be aware that this meeting does not substitute for you formally

submitting a public comment letter to the appropriate agency. You would need to submit the comment letter in accordance with the submission instructions in any rulemaking document.

And then lastly, be aware that anything said in this meeting should not be construed as binding on or a final decision by FHFA or CFPB. Any questions that we may have are focused on understanding your views and do not indicate a position of either agency.

Any gesture such as head nodding or shaking, facial expressions or verbal expression such as yes or okay that may be made by staff should not be construed as agreement or disagreement with points you have presented there. They're just indications that we've heard your points. And so with that I'm going to pass it over to Prasant Sar, or back to Prasant Sar to discuss the logistics of the session. Prasant you may be on, oh there we go.

Prasant Sar:

Yeah. Sorry. All right. Thanks, Kevin. As part of the Zoom process, those that have speaking roles today will have the ability to mute and unmute themselves. When it's your time to speak, please unmute yourself. And when you're not speaking, please keep your microphone on mute to reduce the background noise.

Each speaker today will have ten minutes to present. And I will ask you to conclude your remarks when you reach the ten minute mark. Please do forgive me for any interruptions in advance, but we do want to make sure we stay on schedule and hear from everyone that is scheduled to speak.

The way I will proceed is by queuing up the first person, and then I will give the next person a heads up that they will follow right after. My apologies in advance if I mispronounce anyone's name, I will try my best to get it right. So with that let's get started.

I will now turn it over to George FitzGerald and Andy Walden. And after their presentation, we will hear from Leslie Gooch. George and Andy please unmute and begin.

Andy Walden:

All right, thank you Prasant, and thank you for having us here today. For folks that don't know me, I'm Andy Walden, I run the Market Research Group here over at Black Knight. I'm joined by George FitzGerald, who runs our Servicing Technology Division. Really we're going break our ten minutes up into two different segments. I'm going to spend five minutes talking about kind of the latest and the greatest in forbearance trends. And then George is going to talk to us a little bit about servicing technologies and some of the advancements that have been made there as well to assist

borrowers. So Danielle, if we pull up the slides there. And we can go to the second slide.

If we look at some of the more recent forbearance trends, I think there's a lot of good news, as Mark kind of alluded to earlier, there's a lot of good news coming out of forbearance activity right now. If we look over the last 45 days, we've seen the number of active forbearance plans fall by about 14%, which is a 370,000 loan net reduction in the number of active corporate forbearance plans. So good news there on the forbearance front.

The second bit of good news there is that really the declines have come from where you'd like to see them come from, that wave of early forbearance entrance, those borrowers that saw their first forbearance payment in April in May last year. Accounted for roughly 60% of the decline that we've seen over the last 45 days. And obviously, that improves the outlook for later in 2021 as well, and we'll get into some of those numbers here in a little bit.

So we do have 2.2 million loans in forbearance right now, which accounts for roughly 4.2% of mortgaged properties in the US, there's still a lot of work to do as we move throughout the remainder of 2021.

And the other thing that I would mention there in terms of recent trends is we've seen some strong reduction here over the last 45 days, we could see that slow down a little bit over the next 45 days. Really one of the drivers behind why we've seen recent improvement is those borrowers going through 12 month reviews going through to see if they're going to be extended out for the additional six months or whether they're going to exit forbearance plans early. There's really not a lot of that review activity taking place, relatively speaking. And in the month of May about 350,000 reviews scheduled for this month, compared to 1.2 million a couple months ago. So we're in a little bit of a lull.

And then when we get into that end of June, early July timeframe, we'll be looking at about 900,000 borrowers going through those 15 month reviews, or those June quarterly reviews. We could pick up a little bit there, as we get into the earlier months. Danielle, please skip to the next slide here.

So as I mentioned, it has improved the outlook. The recent improvements or declines in forbearance rates have improved the outlook for late 2021. So if we look back at the market 45 days ago, there were 1.4 million borrowers that had entered into or had their forbearance payment in March through July last year. Those are

borrowers that would reach their 18th month in August through December of this year. Right. So we're in that 1.4 million range about 45 days ago, we're now down to about 1.1 million loans in that category right now.

And if you apply even a conservative improvement rate over the next six months, a 3% decline per month, you're looking at a little bit below 900,000 of those active forbearances that would be expected to remain active and reach their terminal expiration at the tail end of this year. So still again, as we mentioned, a large volume of homeowners that are going to see those plans expire later this year. But we have seen that number improve over the last 45 days. And that trend line improved over the last 45 days as well.

On the right side here, we're looking at equity positions and we all know how hot the housing market has been over the last really nine months coming out of the COVID pandemic and the initial lockdowns. We've seen those strong home price growth rates improve overall equity positions.

So if we kind of look at those homeowners that are specifically in forbearance right now, those 2.2 million homeowners, and run a market the market down to the zip code level, right, look at what's been going on with home prices in those specific areas and run the market to market home price growth and current CLTDs of those borrowers. What we see is that actually over 95%, 96% to be exact, percent of those homeowners that are in forbearance have at least 10% equity in their home which is a very good sign. Even when adding 18 months of deferred interest in taxes and insurance payments into that equity calculation, you're still looking at more than 85% of those borrowers, given recent home price growth, that have at least 10% equity in their home as well.

Now, obviously some varying struggles when you look across different investor buckets, FHA, VA certainly jumps out here. When you add in deferred payments, you're looking at a quarter of those borrowers that may have less than 10% equity. So some equity challenges specifically in those groups, but broadly speaking, home price growth has improved overall equity positions.

And the last thing that I would note is, when you when you look at the distribution of forbearance plans, right now it's shifting more and more towards that FHA, VA bucket. And really that FHA space, FHA, VA loans make up about 40% of all active forbearance plans. And they make up two thirds of forbearance plans with limited equity. So I think they're going to continue to become more and

more of a focal point, as we move throughout 2021. And with that said, I'll turn it over to George.

George FitzGerald:

Great. Thanks very much, Andy. And thank you to both FHFA and the CFPB for inviting us to participate today. So if you'll scroll forward please to the next slide. So you know, really the most important thing that we found early in the pandemic, and after the enactment of the CARES Act back in March of last year, was borrower engagement. Having the borrowers quickly have the ability to request assistance to get forbearance, also being able to see status quickly of, you know, where they stand from a forbearance perspective. And then, of course, as they're coming to the end of that, being able to work proactively with their lender to work through loss mitigation options.

So if you'll scroll forward. Two different things that we have, we've worked on from a technology perspective that I think have been really key and helping to work with customers on this. The first is the servicing digital application, which is a, both a white labeled application that is made available to our customers so that they can make it available to end consumers, they can do things like post payments, access historical information, see property value tracking, neighborhood trends. As I referenced earlier, it is white labeled so it has the look and feel of our clients particular logos and color schemes. Focus on customer retention, intuitive to navigate, and really engages the customer as part of the whole process beyond just loss mitigation. The application is both web and mobile enabled. And it's been really an integral component. And if you'll scroll to the next slide.

Great. So from a servicing digital perspective, obviously borrowers being able to actively see what's going on with their account has been paramount. But one of the things that we've also focused on, and given the time constraints, if you'll scroll forward one more, is loss mitigation. So we've also worked exhaustively on a loss decisioning and workflow application that is tightly integrated with the servicing digital application so that the borrower can do things like request forbearance, he can do things like see the status of his forbearance. He can also upload an RMA, get specific documents or things like that, that may be necessary to go through that loss mitigation process.

The tool does decisioning for the various options for Fannie, Freddie, obviously for FHA, VA, private investors, as well as portfolio where the servicer has the option to establish a waterfall based upon, you know, the specific investor and property type, and run

that loan quickly through that waterfall. Engaging this -- the borrower the whole way, so that if documents are needed in order to make a certain decision, whether their pay stubs, things like that. It also provides things like audit tracking so that regardless of the outcomes, as the waterfall is processed, regardless of the outcomes, they're able to see exactly what options were available, why they were either approved or denied for specific options. And it's a great tool that is really put in the hands of both the servicer and the borrower so that they have a little bit of opportunity to control their own destiny.

And if you'll scroll forward, I'll talk a little bit about, you know, a customer versus a servicer experience. You know, a customer needs to be able to have the ability to request help, whether it's, you know, through the uploading of an RMA, or requesting forbearance specifically assistance. The customer needs to be able to know who their SPOC is. They need to be able to, as I referenced earlier, provide the RMA Form 710. They need to know the status of their loss mitigation. If there's specific documents missing, things like that.

And then as a servicer, they need to know, obviously reason for default, things that are going on with that account. The SPOC needs to be engaged in the whole loss mitigation process along with the borrower.

And then when the request for assistance is received, they need to know and respond within the appropriate timeframes. And then, of course, they need to know any status changes as they're happening throughout the course of that loss mitigation. So it's paramount, back to what Andy referenced earlier in terms of the volumes of loans that will be coming off forbearance, that servicers have technologies that are able to help them quickly respond to a high volume of cases and requests for loss mitigation.

Go ahead and scroll forward. And I will just wrap up by saying, again, I appreciate the opportunity to have spoken with you today. And we'll hand it back.

Prasant Sar:

Great. Thank you very much, George and Andy. We really appreciate your comments. We'll now hear from Lesli Gooch. And after that we will hear from Shayna Arrington. Lesli, please unmute and begin.

Lesli Gooch:

Okay, well thank you so much. Thank you to the team from FHFA and the CFPB and everyone joining today. I commend you for your efforts to support borrowers through the pandemic and we

appreciate the opportunity to share how MHIs members have helped and protected homeowners during the pandemic over the past year.

My name is Lesli Gooch. I'm the CEO of the Manufactured Housing Institute. MHI is the only national trade association that represents all segments of the factory built housing industry. Our members include homebuilders, suppliers, retail sellers, lenders, servicers, installers, community owners and operators and others who serve the industry. We also have 48 affiliated state organizations.

Manufactured housing provides an affordable form of homeownership for more than 22 million people nationwide. The average cost of a new manufactured home is approximately \$82,000. And combined with record low mortgage rates, the purchase of a manufactured home is often less expensive than renting.

Before the COVID-19 crisis, the financial security of manufactured housing residents was positive. According to MHI's consumer survey of residents in 2018, when asked how they are managing financially, 57% said that they are living comfortably and doing okay, 60% were extremely or very confident about the security of their job.

When asked to assess a six month outlook, 38% expected their financial situation to improve, 50% expected it to remain the same, and only 12% felt that it would worsen. When asked if they had set aside emergency funds that could cover expenses for three months. 38% said yes, while 67% said they would be able to make next month's rent or house payment if there was a dramatic change in their income.

However, as you all know, the financial impacts of the worldwide pandemic for many families has been significant. Many manufactured home residents work in sectors that have been negatively impacted by the pandemic, including the retail and restaurant or food service industries. Acknowledging this impact, our member lenders and servicers have gone above and beyond to support manufactured home residents. There is a shared interest between manufactured housing lenders and their borrowers to preserve housing stability and minimize displacement.

Even though CARES Act requirements generally do not apply to most manufactured home loans because there is no government nexus to a loan program, most manufactured housing lenders and servicers have followed CARES Act requirements for all of their loans.

Manufactured home lenders have also complied with the myriad of state foreclosure moratoriums. Our lenders are supporting their customers by making sure borrowers are aware of options for assistance, by streamlining communication, and establishing single points of contact for customers, by waiving fees and by making flexible payment arrangements, and by granting extensions and modifications.

Some lenders have even established assistance programs to help customers make their payment. Overall this translates to keeping people safely housed through the pandemic.

The result has been similar land lease communities. During the pandemic are manufactured home community owners and operators have gone above and beyond to work with their residents. There are almost 43,000 land lease communities in the country, and that is an estimated 4.3 million home sites. By and large, these residents do not receive any housing assistance and the communities are not subsidized by any Federal housing assistance program.

As such, manufactured housing residents and community owners have had to shoulder the cost burdens of the pandemic on their own. To ensure residents are supported during these challenging times, manufactured home community owners and operators have enacted rent repayment arrangements and waived fees. They have connected residents with social service resources, including providing information about employment opportunities, they've assisted them with filing for government benefits, and helped young residents obtain access to virtual schooling and broadband. Communities are now also working to ensure residents are able to access information about vaccines and register for them. One community is hosting vaccination clinics.

As the economy recovers from the COVID-19 crisis, manufactured housing lenders and community owners and operators have been committed to helping their borrowers and residents. Manufactured housing is the largest form of unsubsidized affordable housing in the United States, and the only type of housing built to a federal construction and safety standard. It is also the only type of housing that Congress has recognized as having a vital role in meeting America's housing needs as a significant source for affordable homeownership accessible to all Americans.

Our members have been diligent in taking care of their borrowers and residents during this unprecedented time. It has demonstrated the potential benefits of affordable homeownership through

Protecting Borrowers During the COVID Pandemic Public Listening Session - May 13, 2021

manufactured housing. More support from FHFA, Fannie Mae and Freddie Mac in the manufactured housing market will not only strengthen homeownership opportunities for millions of Americans, but also provide more options to consumers that are hurt by unaffordable rents and the shortage of adequate housing options. Again, we appreciate FHFA and the CFPB for setting up this listening session. Thank you very much.

Prasant Sar:

Thank you, Lesli. We will now hear from Shayna Arrington and after that we will hear from Julia Gordon. Shayna, please unmute and begin.

Shayna Arrington:

Good afternoon. My name is Shayna Arrington and I'm the Chief Compliance Officer at The Money Source. We're a correspondent lender, meaning that we purchase closed loans that our partners have originated, and we're a servicer for our own portfolio as well as for about 45 clients.

As a servicer of hundreds of thousands of loans backed by FHA, VA, USDA, Fannie, Freddie and Ginnie, I'm here to talk to you today firsthand about the lived experience of implementing various, and should I say numerous, directives from our agency partners and regulators over the past year with respect to COVID-19.

So let me start by first saying thank you. As a former regulator myself, I know all of the hard work that happens internally to get a regulation, a rulemaking or any other type of policy guidance out the door. Not to mention the interagency coordination that takes it to just a whole other level. I have heard consistently from my industry peers over the past year how much more quickly, effectively and smoothly the COVID-19 related directives were from the last industry crisis back in 2008.

So that being said, let me start out with a request to please keep the interagency coordination moving forward. To the extent that agencies can coordinate changes, communication release dates, and effective dates of any policy changes, this makes our lives much easier on the implementation front.

Early on in the pandemic, there were frequent changes to agency and investor policies. I know we were all getting our footing. But unfortunately, they were not always aligned, which created implementation issues. Keep in mind that most servicers don't service just a single loan or agency type, but rather service a large number of products and loan types across investors, as well as asset loans.

So to the extent that we can keep program guidelines and changes consistent from agency to agency, it helps us immensely when it comes to implementation. I'd like you to consider for a moment what it takes to actually implement a change.

Let's take something fairly simple, such as agency-endorsed call scripts or FAQs for borrowers. Once the directive gets out the door on your side of things, I know it must feel like a great accomplishment, and it absolutely is. But for those of us on the other side of the business, it's just the beginning of the process.

If you have a strong change management system, like most of us do, we get the directive the same day that it's released from the agency. It gets picked up immediately by our change management team, but then it has to be digested internally. So what that actually means is we start by having compliance people review it, break it down into clear requirements for the team and try to gauge the impact of which lines of business will be affected. Is it our call centers, is it cash, is it escrow, is it default, who needs to have a hand in implementing the changes?

Then the leaders of each of those lines of business are tagged to review the summary from our change management team, and determine if we've captured all the touch points, or if maybe there are ripples in the pond somewhere else in the organization that we haven't thought of.

So using the example of the agency-endorsed call scripts, or FAQs, which is pretty straightforward, we'd start with our customer facing teams who are call center managers, to review and tailor the content to our company so that the terminology we're using is in line with how we do business. And it makes sense to our team members and to our borrowers.

Then we'd have our marketing team join in on the initiative to make sure the communication is clear and in line with our voice as a company. And finally, of course, we would have compliance sign off that the content is appropriate and ready to be deployed.

So now that we have the green light, you'd think we'd be good to go. But we actually have to push it live. So for something like call scripting, we might have to bring in technology to generate updates to our scripts in our servicing system, to generate after certain prompts, and our line of business trainers to communicate those changes and make sure our teams are prepared to explain complex potentially new concepts to our borrowers.

Remember back a year and a half ago terms like forbearance, default deferrals, waivers, might have been common to us in the industry, but not necessarily to our borrowers who might have not had a payment issue any time before COVID. So these are new terms, new ideas we're trying to process.

And then once again, we probably need to bring in technology to update our website, social media, marketing, things like that. And that's an easy example.

So on a good day, if nothing else is going on, we might be able to deploy something like that in as quick as a week, maybe two weeks max. But now throw into the mix different directives coming from different agencies and that timeline stretches out.

Now think about more complex items to implement, like a new loss mitigation option which may require system changes, including custom development, or even updates to borrower communications like any of our letters or emails that go out, which could require changes with a print vendor or other third party vendor.

So to the extent that you're able to limit changes to those that do not require technology, or other system updates, or to minimize those that do, we would encourage you to please keep those type of changes to a minimum as it's easy to see how the timelines for implementation could start to stretch further. Especially if we're faced with competing directives from various agencies or regulators.

The other thing that I would encourage here, besides the interagency coordination on directives, is reasonable time to implement those directives, as well as coordination on timeframes and effective dates between the agencies.

I promise I won't take you through another implementation example. But I would implore you to think about the time necessary to break down a complex rule or loss mitigation option, work not only internally but with various external vendors sometimes needed to make changes. And then of course document it in our policies and procedures and actually train to it.

One thing that I'd like to point out is that the CFPB's proposed changes to Regulation X and the FHA Servicing Handbook changes regarding loss mitigation, are both slated to be effective later this year in August. And that's the same time we're expecting large numbers of borrowers to exit the cap on their forbearance plans. And we expect to see a spike in loss mitigation activity. So two different directives from two different agencies, plus a change in

what we expect will be these caps falling off and borrowers changing from forbearance to post forbearance relief options.

And another thing I want to point out is that as much as it may seem like it, the world does not stop because of COVID-19. And what I mean by this is that even though there are exponentially more directives that need implementing due to COVID, it does impact at the max 10% to 12% of any servicer's portfolio. You just heard Andy say before, we're down to about 4.2% across the board on forbearances. So there's still 90 plus percent of loans out there that we're trying to service, business as usual. And that includes other state agency and federal directives that are not COVID related.

Also, keep in mind that most loan servicers also qualify as debt collectors under the Fair Debt Collection Practices Act. And so we're all in the midst of implementing a massive change in rules. I know they were delayed from initially November to January. So we do appreciate the extra 60 days. But we're working daily today to climb that mountain of compliance that's required by all of those changes.

Just for context, I did check our change management queue this morning before this call. And right now we have 34 open items that we're in the process of implementing from different regulators and agencies. And just note that those are compliance changes only, and they do not include our long list of business driven changes.

So on the one hand, I do appreciate it, it is great job security for those of us in compliance. But on the other hand, if you could slow it down a bit and give us one thing to bite off and go live with at a time, that would be appreciated too.

At the end of the day, we do truly care about our borrowers and our businesses. And we absolutely want to do the right thing. And the best way for us to do that is to have sufficient time to thoughtfully implement important changes, so we can fully educate our teams and consistently provide assistance and rock solid service to our customers.

There are a few other items I would like to quickly address with my time. First, I'd like to emphasize the impact that the agencies can have on getting accurate information out to our borrowers. As Andy noted before, servicer performance to date has been very strong given the unprecedented circumstances and the tight term times for deploying changes. But unfortunately, loans do tend to transfer somewhat frequently, that's just the nature of the business. And if a borrower doesn't have a relationship with their servicer, the agency

that helps support their loan can be an invaluable source of information.

So I would ask you to please continue to encourage and educate borrowers to reach out directly to their servicers, whether it's for more information, whether it's, you know, the encouragement to reach out before the end of their forbearance plan, not when they get to the end of it so they can think forward about what their options are. And any of the educational campaigns, websites, the toolkits that you're putting out for us, please keep it up, we really do appreciate it.

And finally, I would like to address, on behalf of the industry as well as the MBA, a few of our comments regarding the CFPB's proposed changes to RESPA and Regulation X with respect to loss mitigation. We believe that the CFPB should permanently revise Regulation X to permit servicers to offer longer term forbearances and streamline post forbearance options without the need for a complete loss mitigation application from the borrower.

We strongly believe this will allow us to better serve our borrowers in a quicker, more efficient manner. If you --

Prasant Sar:

Excuse me, Shayna, we've reached time, so if you can please wrap up.

Shayna Arrington:

Sure. I was just going to say if you hadn't had the opportunity to do so, I would ask you to please look at a servicers or Fannie-Freddie model forms for the borrower response package and see what's included in there, I think you would see the benefits of streamlining it. I do appreciate your time today. And I know I speak on behalf of myself and the MBA when I say, please reach out if you have any questions or if you want to bounce any ideas off of us. We love being a part of the discussion. And we know we're better off as an industry when we work on solving problems together to do right by the consumer.

Prasant Sar:

Thank you, Shayna. We will now hear from Julia Gordon, and after that we will hear from David Dworkin. Julia, please unmute and begin.

Julia Gordon:

Good afternoon everyone. Nice to see you all. My name is Julia Gordon, and I'm the President of the National Community Stabilization Trust. NCST believes that homeownership promotes both family prosperity and healthy neighborhoods, and that racial homeownership gaps are the largest driver of racial wealth gaps. We work to prevent neighborhood blight, to increase the supply of

move in, ready affordable homes, and to advocate for policies that support affordable homeownership and strong housing markets in all neighborhoods.

I want to start by thanking FHFA and CFPB for your extremely quick and effective responses to the pandemic. Your swift action was no doubt an inspiration to Congress as they passed the CARES Act, which has been remarkably effective in providing families with immediate assistance in an incredibly challenging moment.

We are now at the part of the pandemic trajectory where it's time to think about how we transition back to normal. And here is where we have a lot of concerns that we would like to share with you in the hope that we can all work together to provide the best outcomes for both families and neighborhoods. Next slide, please.

So I think as everyone here knows, the economic and health impacts of COVID-19 have disproportionately affected households of color. And the CFPB's recent release of the NMDB data shows that delinquencies and forbearances are most common among black and Hispanic borrowers. And none of this comes as a surprise to any of us. I mention this just because it's a really important backdrop to our biggest concern, which is seeing the pandemic further increase the racial homeownership gaps and racial wealth gaps.

Looking at the big picture, as you've heard from others today, we have almost 2.5 million households on forbearance, over one million of which are seriously delinquent. Another half million are delinquent and, you know, we'll call them never forbearance. And then we have a growing population that has exited forbearance, is still not delinquent and has not accessed any kind of loss mitigation solution. I think if you look at Black Knight's or MBA's data, you'll see that the portfolio and PLS loans appear particularly vulnerable. FHFA, I know that that's not your patch, but I'm saying this for CFPB's purposes. Next slide, please.

This just is the Black Knight and MBA data showing what is happening now as people who exit forbearance come out, you know, what their solutions are. And you know, when we think we're really going to hit peak forbearance, which are peak forbearance exits in September. Next slide, please.

So before I talk about this slide, I want to say something about home equity. Today's crisis is not at all like the financial crisis. We have not seen declines in home values, in fact, we've seen historic home price appreciation gains. Most homeowners do have some equity, although there are some populations, particularly those in

communities of color, where values are lower across the board. And certain populations, such as VA mortgages, many of which were originated as 100 LTV, where we see actually very low levels of equity. And so the story that there's equity everywhere is not really true across the board.

The other thing I want to say is, I don't believe that we are going to see the same kind of foreclosure crisis that we saw after the 2008 crash. However, what I'm particularly concerned about, and what will be equally bad, both for families and for neighborhoods, is a home loss crisis. If we see a lot of people who are forced to sell their home, even though they don't want to sell their home. That's not a successful outcome, even if they don't go through the foreclosure process. And we think we should all work together to provide all possible resources to prevent people from losing their homes unnecessarily in a forced sale situation, whether or not that sale is a short sale.

And following from that, I want to talk about the importance of servicers in this process. The burden on servicers is very, very high right now and it's only going to rise. I had occasion the other day to try to do the math of taking the number of forbearances that would expire in that September-November period, and divide it up by the number of business days during that period.

And I can assure you that the per day number is not achievable right now by the servicers with current staffing. And it's certainly not achievable to make quality right party contact with them all, and have a conversation, which is going to -- I've listened to a lot of these conversations, these are going to be long conversations. They are not going to be the eight minute conversation you had, you know, earlier in the pandemic. These are going to be 25, 30, 45 minute conversations.

And the most important thing we can do is to streamline this process as much as possible. I absolutely hear the servicers who don't want to keep -- folks to keep shoveling out changes to the process. That was, you know, that was a terrible thing that happened after the financial crisis. And it is bad that it's happening now. You know, unfortunately, I do think we have to keep trying to improve the process before we get to that September timeframe. And the nature of a crisis is that things get rolled out a little bit piecemeal. And while I strongly support avoiding unnecessary piecemeal rollouts, some changes along the way are just going to be unavoidable.

So we have a few specific policies that we wanted to talk about today. For FHFA and really, for, you know, FHA and everybody else, it's very important to instruct servicers to describe all the options available to the borrowers before requiring them to select one. Some servicers present options to borrowers in a way where the borrower isn't necessarily aware they're going to have other options. So, you know, they may be first asked for a lump sum repayment which, you know, to their credit I think servicers are making clear isn't required, but it's still the first thing that is said in the waterfall. Of course, most borrowers can't do that unless they've been paying all along.

Then the next thing they say is, can you afford to pay your previous payment? You know, that's the question before you go into a deferral or partial plan. What we're hearing is that borrowers are saying yes to that, because they think those are their two options, either pay it all back now or do a deferral or partial plan. And they're not aware that if they can't afford the partial plan, there are other options in the waterfall. So we think it's really important to make sure they're aware of the menu of options before going down that waterfall to see which one that they would like to have.

We also believe the enterprises should include escrow shortages in payment deferrals and flex mods. Again, this is going to simplify and ease the process and try to keep defaults to a minimum.

Extremely crucial to do something for borrowers with LTVs below 80. Just having them sell their house will be terrible, both for the families and for the housing markets. And, you know, I'm really -- I know you're thinking about that, and I hope that gets changed.

Please eliminate the trial period plans, which is just a vestige of the crisis. And it's time to eliminate that.

And finally, while we appreciate the recent announcement record -- there's a typo here. This should say streamline refis not modifications. It's important even with a refinancing product that can reach further down in the income scale to make sure that that modification is more -- that refinancing is more streamlined. And we know that might require a change to the PSPAs.

And last slide. I know we're almost out of time now, but I do want to say, when these homes do change hands for the people that won't be able to keep their home, please try to put in place policies that prioritize purchases by owner occupants over investors. There is a -- it's terrible right now out in the markets even for owner occupants, you know, when we're not even talking about investors.

Even owner occupants are losing out to other owner occupants coming in with cash. People who come in with financing are having terrible trouble accessing homes.

So I have some other policies here that we think will promote access to homeownership. But I know I'm at time. So I want to stop and thank you so much for the opportunity to speak today.

Prasant Sar:

Thank you, Julia. We'll now move on to our next speaker. And we will now hear from David Dworkin. David if you could please unmute and begin.

David Dworkin:

Thank you for giving us the opportunity to provide our feedback. The National Housing Conference is the oldest and broadest housing coalition in the United States. Founded in 1931, by Mary Kingsbury Simkhovitch and Helen Alfred as an unlikely coalition of social workers, religious leaders, builders and labor unions. Today's NHC includes hundreds of organizations that represent all aspects of the world of affordable housing.

Together, we have experienced every housing crisis of the past 90 years. One of the biggest risks today is that we will learn the right lessons from the wrong crisis. During the Great Recession, we saw home prices and home building plummet, while homeowner and investor losses exploded. The causes of this crisis were well documented in the report of the Financial Crisis Inquiry Commission, which concluded that it was the result of human action and inaction, not of Mother Nature, or computer models gone haywire.

The report identified five major causes of the crisis: an explosion in risky subprime lending and securitization, an unsustainable rise in housing prices, egregious and predatory lending practices, dramatic increases in household mortgage and debt -- mortgage debt, and exponential growth in financial firms trading activities, unregulated derivatives, and short term repo lending markets.

These factors contributed to foreclosures on millions of homeowners and the conservatorship of Fannie Mae and Freddie Mac, which required a taxpayer bailout of over \$190 billion. Since recovered with interest.

Only one of these five root causes exists today, an unsustainable rise in housing prices. And this is not due to artificial but natural factors. A once in a century pandemic that has shut down the country for a year, slashing supply, increasing material and labor costs and driving up demand.

The CFPB and FHFA have done an admirable job of minimizing foreclosures and enhancing forbearance options, responding quickly and flexibly. I want to take the liberty of singling out Prasant Sar and Mark Mc Ardle, and ask forgiveness of the many people who I have left out, for your leadership in reducing the number of foreclosures and saving the homes of countless families.

As others have noted, much has been learned from the experience of the Great Recession. As the life and the economy get back to normal as the result of historic success in the development and distribution of highly effective vaccines, we must pay careful attention to how we support the exit from forbearance of those now ready to resume payment schedules, and modify the mortgages of those who have seen a sustained decrease in income, and provide a graceful transition from homeownership to affordable renting for those no longer capable of making their mortgage payments.

Yet CFPB and FHFA policies have also unintentionally contributed to increasing the cost of homeownership by restricting the availability of mortgage credit when it needed to be relaxed. The stated intent of FHFA has been to increase the capital of the enterprises, to prepare for a release from conservatorship, while the new administration at the CFPB delayed implementation of a qualified mortgage rule that represented a carefully negotiated approach, agreed to by a diverse set of stakeholders from consumer and civil rights advocates to the nation's largest financial institutions.

The solution to people getting bad mortgages is not to keep them from getting any mortgages. These decisions have had the unintended consequence of denying far too many first time homebuyers access to the lowest interest rates of our lifetime. They have also contributed to the dramatic loss of homes available to first time homebuyers at the expense of investors of all sizes who have bid up home prices with cash sales that lock out those buyers who require a mortgage. This is the housing crisis we face today.

In 1946, Mr. Potter's rent collector in the Frank Capra film, *It's A Wonderful Life*, summed up the risk we face far better than I can. Affordable mortgage financing created dozens of the prettiest little homes you ever saw, 90% owned by suckers who used to pay rent to you. Every one of these homes is worth twice what it costs the building and loan to build.

Without those mortgages, those homes would have become the slums of Potter Town. Today, many of our neighborhoods run a similar risk. In the November 2020 issue of *Pension and Investors*

Newspaper, the lead headline said it all. Single family home rentals return.

The article reported that “Institutional money managers are revisiting a successful strategy from the last financial crisis, investing in single family homes to rent”. But this time there is a twist, rather than mostly buying homes out of foreclosure, managers are investing in construction of new housing developments in addition to buying individual homes for inclusion in an all rental portfolio.

This movement is but a fraction of the trend among small investors. As foreclosures increase, we can expect both markets to grow significantly, further inflating home prices and locking out first time homebuyers, especially among people of color, who are disproportionately first generation prospective homebuyer -- homeowners.

My message on behalf of the National Housing Conference is simple and clear. Align the resources of the CFPB and FHFA to address the crisis we have now, a falling homeownership rate, rising housing costs and a widening racial homeownership gap. Thank you.

Prasant Sar:

Thank you, David. We will now go to our final speaker, Faith Schwartz. Faith, please unmute and begin.

Faith Schwartz:

Yes. Okay, I hope you can hear me all right, I'm actually at an airport, so I'm not going to put my video on. But thanks so much for having me here today. And my name's Faith Schwartz, I'm the President of Housing Finance Strategies, and longtime industry colleague to many.

And I am leading a pro bono kind of effort that we all -- all industry stakeholders have joined hands and it's called Not Okay, That's Okay. And it is an industry effort to not leave any borrowers behind. And in particular, reach out to borrowers who are not in contact with their loan servicer for whatever reason. And they are a population that are either delinquent but have never raised their hand for forbearance, and those that are in forbearance who have started, you know, losing contact with their loan servicers as they're coming toward their exit of forbearance.

Certainly our material that's been created can reach more borrowers than just those borrowers, but that is the target that we were focusing on. Today I'll talk to you just briefly about the campaign, how it got started, the activities and the go forward.

First, I'd like to say, you know, and I always like to give big credit to the Urban Institute, who has -- did a wonderful job pulling together

a cross disciplined group of professionals when COVID first happened. And you know, it ranged from think tanks, nonprofits, civil rights groups, advocates, counselors, mortgage loan servicers, Wall Street analysts.

And the purpose was to think about liquidity, communications, and what we can do to make sure that the housing market is going to stay liquid, that they can make sure we're saving borrowers from entering into premature foreclosures through the forbearance efforts.

What happened through those meetings was there was an increasing concern that the borrowers were going to get nervous and not understand all the different issues facing them. And there were a lot of changes coming forward from all parts of the government after the CARES Act was executed.

And by the way, thank you FHFA and CFPB, for hosting this listening campaign. I should have said that when I first started.

But when this was -- this group pulled together, I did raise my hand say, listen we can have a focused group that will be very aligned for the consumer to make sure that we do everything in our reach to reach those borrowers, to communicate with those borrowers, and bring them into the system.

Because we all recognize full well what happened a decade ago in the Great Recession, with all those borrowers that never really ended up in communication with their loan servicers or counselors. It was a bad outcome. And we all worked very hard to get to borrowers years ago, in a similar crisis, but a much worse one in a sense that it was from the industry partly responsible.

Here we're in a pandemic, it's different. And we also have much better technology, better communication styles and much better loans. We have more equity in housing. Julia had a great overview on that. Appreciate the Black Knight data as well.

So we pulled together a group, it's all again, voluntary and pro bono. But I might add, there are 60 loan servicers and banks that are now part of this and there are 117 nonprofits that are participating in our outreach effort.

So what does that mean? Well we have created a campaign called Not Okay, That's Okay. And it is a tagline with a set of images, which we pulled together through the donations from one large company. And we tested it through NeighborWorks America, who held focus groups on the ground with counseling groups, as well as consumers,

to pick out the best taglines and the best images that make -- that suited them thinking we could reach borrowers at risk.

Again, referencing a decade ago, we all remember some of the great ad campaigns that went on and NeighborWorks America was a big part of that, as well as the GSEs. And it really got to people who were really frightened over what their situation was.

And so we were hopeful that we could get some similar empathetic document which would grab a borrower. I asked and worked closely with the MBA, the HPC, the ABA, the American Bankers Association, and the CFPB and NeighborWorks America to be the core of the leadership group that would say, listen let's just rally the troops, get everyone to agree to leverage images and a website that we will create. So that they can go in and it makes it simple for them to have material to reach their borrowers.

So this means mailings, this means emails, this means texts, this means Instagram, this means Facebook, this means Twitter, this means bus wraps, if someone wanted to do that, or even a billboard. We spent weeks with a marketing group of a large company that did that and donated it to the campaign. The MBA, ABA and HPC helped pay for the images for a license. And we have them residing on the website, that is www.COVIDHelpForHome.org, www.COVIDHelpForHome.org

And the reason I'm repeating that is that if there are servicers on this call, the recipient audience of this outreach campaign, please go in and pull down the images and sign up and participate. Because the echo chamber of an active industry effort has been really quite substantial. And it can be very impactful.

Our idea here, I will just say this debate of this campaign, we went around and around for a little while. And, you know, I do think sometimes companies think well, I don't have a problem, I have less than 1% noncontact. But you know, honestly these large companies 1% is a lot of people and people are families. And of course we should -- I think the spirit of this should be don't leave one person behind.

I know three people in forbearance. They don't know what forbearance means. They don't know what it means to have a deferral. They don't know what it means to have some of their escrows in the back end, some being repaid over time. They don't know what it means to get a modification that may fall outside of the COVID solutions if they fail that. They don't know what a partial claim means. And these are smart people who are in forbearance.

they're well read, they're educated, and they don't understand our industry or our jargon.

So I like to remind all of us, including the government agencies on the phone, we should really be doing everything we can to communicate more clearly, the anecdote -- the jargon around all of our campaigns and all of our solutions so that we don't get a bunch of legalese descriptions on scripts that borrowers don't know what they're really receiving. Because it's very complex. And as a 30 year plus veteran in the industry, I would agree it's not easy.

I want to shout out to Wristband who created the website, again, pro bono, www.COVIDHelpForHome.org. Every other Thursday, we have -- you can look on LinkedIn and you can look through some of the social mediums. We have Social Media Day. Dana Dillard, who's joined me and my firm helps, you know, lead this as well. And we tracked this and we have pretty good traction from lots of companies who go out and then we all reshare their posts.

One of our colleagues who's with a think tank actually was tweeting our image and the message that's cobranded with the CFPB. And he must know a really strong influencer, because one of them was 230,000 retweets or something like that.

So our point on this is leadership matters, echo chambers matter, and it's amazing what we can do with the efforts of kind of a small group of people doing big things. And we're all just using our personal resources to make sure this happens.

A couple of anecdotal updates. One of the large servicers who use this -- puts it -- put a buck slip in their mailings and also sends it out via email. Of their emails they got a 26% opening on outreach, and this was previously a noncontract group of borrowers. So I really never want to underestimate what it means when someone will finally respond to you.

And I would be remiss if I didn't say this is on top of the extraordinary efforts everyone puts forth to reach borrowers at risk and it's a much lower number than it was years ago. Meaning borrowers are communicating better with their servicers. This is not your typical borrower going into the subprime crisis. This is a borrower who just got caught or, you know, unemployed quickly through a pandemic.

So I think there is more trust built up in the system. I've asked that everyone think about how to support the housing counseling world to help their borrowers navigate this tricky issue. And one last shout

out is, we are going to be using that website to go deeper on the 50 states and the resources that are at the states that can also help people stay in their homes if they fail some of the other solutions.

Our goal is to be good communicators. We want to be a resource for the industry, for the nonprofits, for even the government agencies. And we back that to the agencies officially, including the CFPB on their limited English proficiency work on loss mitigation. So we have created a document that links back into them in the different languages.

So I just want to take a moment and thank the leadership of the trades, the nonprofits, certainly the early companies who raised their hand and say I'll do that with you, we'll do that. Mr. Cooper, Freedom Mortgage, they lead the outreach campaigns, which are zoom calls with borrowers once a month. So that's our other activity.

It's reaching borrowers and signing them up to come in. And it can be nationwide or it can be one -- it started with Memphis through the MBA, but they're scheduling every month one united zoom call where everyone has their own rooms, their own privacy, and several servicers can participate.

If you have any interest in joining that, please let us know. Let me know. Dana Dillard, myself, Helen from Freedom [inaudible 01:09:20]. There's a small group that's doing some great work there as well. So they --

Prasant Sar: Faith, we're at time, so if you could please wrap up?

Faith Schwartz: Okay.

Prasant Sar: Thank you.

Faith Schwartz: Yeah sure. I just want to say thanks so much and, you know, it takes a lot of people and effort, but I think it's been quite rewarding and impactful. Thank you.

Prasant Sar: Thank you very much Faith. So in closing, I would like to thank all of our attendees. Special thanks to those of you who prepared remarks today and materials for today's session. We do appreciate your thoughtful input and observations and we look forward to your continued engagement as we work to collectively respond to the ongoing pandemic. Thank you.