



REGULATION & LEGISLATION

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Federal Response to Pandemic Focuses on Mortgage Market

Steps Taken, But More May Be Needed



The federal government has taken a variety of steps to support the mortgage market during the national emergency caused by the COVID-19 pandemic. How these measures, which include blanket forbearance and suspension of foreclosures, will ultimately affect consumers and the overall housing finance sector remains to be seen.

Already about 8% of U.S. homeowners, or 4.7 million households, have signed up for mortgage relief programs, according to the Mortgage Bankers Association. That is a 2,000% increase since March.

As the scope of the pandemic, and its economic impacts became apparent in mid-March, the Trump administration initiated a series of actions aimed at helping the housing market generally, and borrowers specifically. The Depart-

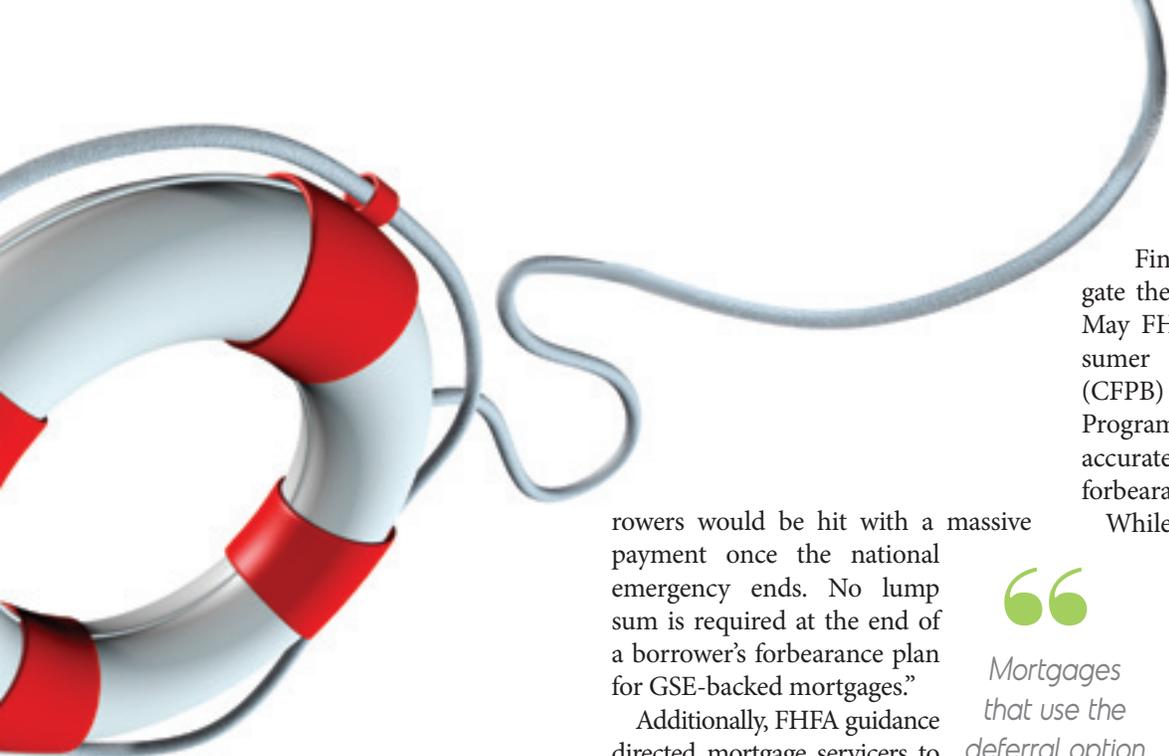
ment of Housing and Urban Development on March 18 halted foreclosures for mortgages insured by the Federal Housing Administration until the end of April. HUD said that the suspension would protect 8.1 million households.

The Federal Housing Finance Agency (FHFA) followed suit, ordering Fannie Mae and Freddie Mac to suspend foreclosures for any single-family mortgages they back for at least 60 days.

“This allows homeowners to stay in their homes during this national emergency,” FHFA Director Mark Calabria said. “As a reminder, borrowers affected by the coronavirus who are having difficulty paying their mortgage should reach out to their mortgage servicers as soon as possible.”

Calabria added, “The Enterprises are working with mortgage servicers to ensure that borrowers facing hardship because of the coronavirus can get assistance.”

FHFA also announced that the GSEs would provide payment forbearance



FHFA, CFPB JOINTLY HELP HOMEOWNERS

Finally, to help homeowners navigate the forbearance process, in early May FHFA partnered with the Consumer Financial Protection Bureau (CFPB) on the Borrower Protection Program to provide consumers with accurate and timely information about forbearance, and to address complaints.

While these initiatives represent an ambitious federal response to the pandemic, on Capitol Hill the two parties still did not find common ground very easily.

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An example of those partisan differences was on display in a May 27 letter by eight members of the Senate Banking Committee intended to exert pressure on FHFA and CFPB to do more with the Borrower Protection Program. The Senators, all Democrats, asked regulators to increase their support for homeowners by addressing lender actions that may not adequately protect borrowers.

“Once information is shared, the CFPB and FHFA must also have plans to use their respective tools and authorities to immediately address trends that indicate borrowers are receiving inaccurate information or unequal treatment, or that servicers are not complying with the law,” stated Sen. Sherrod Brown of Ohio, the ranking Democrat on the Senate Banking Committee, who led the effort.

Expect additional congressional scrutiny, and additional administration responses, as the mortgage market continues to adjust to this “new normal.”

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rowers would be hit with a massive payment once the national emergency ends. No lump sum is required at the end of a borrower’s forbearance plan for GSE-backed mortgages.”

Additionally, FHFA guidance directed mortgage servicers to work with borrowers to set up repayment plans or modify the loan to add the missed payments to the end of the loan.

ACTION REPLACES LOAN MODIFICATION

In mid-May, FHFA directed Fannie Mae and Freddie Mac to allow borrowers whose payments have been suspended because of the coronavirus to pay what they owe at the end of the mortgage or when they refinance or sell the loan. Previously, homeowners in forbearance were given the option of modifying their loans.

Mortgage servicers had until July 1 to calibrate their systems to offer the new option, which saves borrowers the time and difficulty of going through the loan modification process.

FHFA asserts the new forbearance repayment solution “simplifies options for homeowners while providing an additional tool for mortgage servicers. Borrowers who can pay their mortgage should, because missed payments remain an obligation that will ultimately have to be repaid.”

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that allows mortgage payments to be suspended for up to a year.

CARES ACT INCLUDES MORTGAGE RELIEF

Congress has stepped in with changes of its own. The Coronavirus Aid, Relief and Economic Security (CARES) Act was passed with overwhelming, bipartisan support and signed into law by President Trump on March 27. This law put the HUD and FHFA mortgage relief into statute and relaxed requirements to prove hardship when requesting forbearance.

Later, FHFA clarified that homeowners who have suspended payments on Fannie/Freddie-backed mortgages will not be required to make lump sum payments when their forbearance ends.

Calabria in late April released a policy directive to “combat ongoing confusion over whether struggling bor-

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