



**Welcome to the
November edition of the HPC
Bulletin.**

In this month's newsletter you'll find: [Ed's Insights](#), [Executive Spotlight](#), [Policy Pulse](#) and [HPC in the News](#).





With so much attention being paid to the primary market these days, it was nice for me to have a reporter call recently and want to talk about the secondary market. Among the things he asked about was HPC's policy priorities for the secondary market in 2022. I thought I would share my response and, as always, welcome your feedback.

In 2022, our agenda related to the secondary market will include:

Elevating the focus on risk as a policy consideration: After another strong year in housing, with home prices continuing to soar, it is important to remind policymakers how we can, and why we must, effectively and accurately assess and price risk. With elevated prices, continued taxpayer backing of the market-dominant GSEs, and a general expectation of rising rates and Fed tapering,

paying attention to the various risks in the marketplace is essential.

Illuminating the need for reform: HPC will continue to explain to policymakers that achieving their housing priorities will be challenged, and the market will be more fragile, until Congress resolves the critical question of the proper role for government in the housing finance market. Ultimately, we need housing finance reform legislation to set the legal and institutional structures that can last decades and to establish the terms and limits of an explicit government guarantee on MBS. HPC will continue to advocate for such reform. At the same time, we will press forward on important elements of reform that are well underway: growing and maturing the credit risk transfer market, achieving greater realization of the benefits available from the common securitization platform, and advocating for more data standardization and transparency.

Modernizing Ginnie Mae: HPC will continue to engage in a deep and meaningful way with Ginnie Mae, working with the Ginnie team on their efforts around collateral management, securitization platform enhancements, servicing and investor accounting, and remote online notarization and other digital technology acceptance. We look forward to Alanna McCargo's confirmation as Ginnie Mae President. It is unfortunate Ginnie has not had a confirmed president in nearly five years.

Have a Happy Thanksgiving!

A handwritten signature in black ink, appearing to be the initials 'Ed'.



This month's Executive Spotlight focuses on Stan Middleman, President, Chief Executive Officer, Freedom Mortgage.



Practical solutions for addressing the racial homeownership gap and the housing supply crisis

Stan Middleman shares ways to decrease the racial homeownership gap without creating unintended consequences, the potential for addressing housing demand with office space conversions in major metro areas, and the advantages of a new hybrid work model.



[Read More](#)

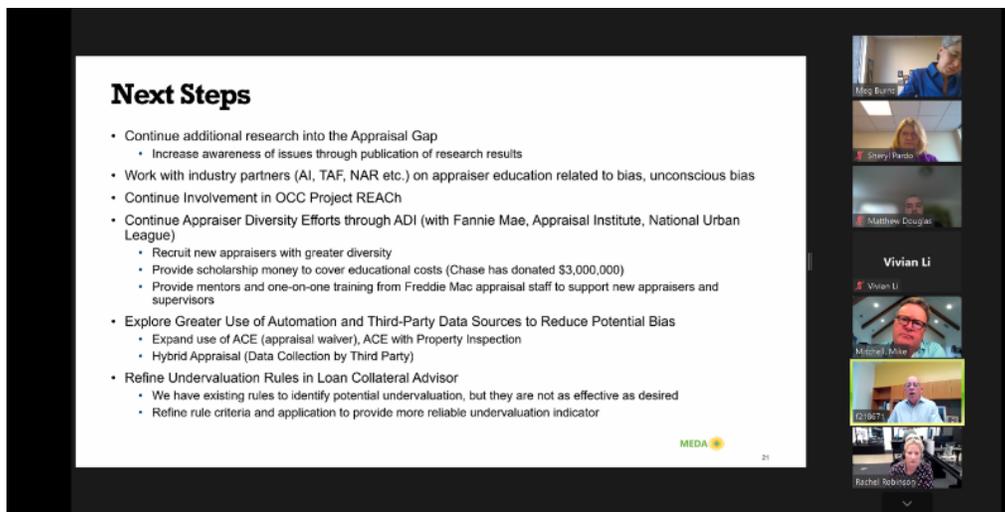


Promoting standardization and simplicity as federal homeowner assistance plans are finalized

October's Homeowner Assistance Fund (HAF) Collaborative calls continued to serve as a platform to promote standardization of HAF programs, processes, and communications and foster discussion between federal and state administrators and servicers. The 100+ call participants this month heard updates on Treasury's review of state plans, discussed state program design challenges, reviewed CFPB rules and state practices for handling escrow surpluses and borrower award overages, and shared preliminary thoughts on HAF-funded loan modification protocols. During each call, HPC continued to urge states to use the standard documents developed by the collaborative, particularly the agreement to promote speed and efficiency. To help frame the

conversation about HAF, Meg Burns also participated in an Urban Institute webinar on October 15th with representatives from the National American Indian Housing Council, the National Council of State Housing Agencies, the National Housing Law Project, and the Ohio Housing Finance Agency. Meg's message that the passage of time is reshaping the population to be served by HAF and therefore, complex rules that narrowly tailor borrower outreach and resolution strategies could impede program effectiveness, was picked up in subsequent [media coverage](#) of the event.

[Watch Urban's 10/15 HAF webinar](#)



The image is a screenshot of a Zoom meeting. On the left, a slide titled "Next Steps" is displayed. The slide contains a bulleted list of action items related to the appraisal gap and bias. On the right, a vertical grid of video feeds shows several participants, including Meg Burns, Sheryl Parso, Matthew Douglas, Vivian Li, Michael Howe, and Rachel Robinson. The slide content is as follows:

- Next Steps**
- Continue additional research into the Appraisal Gap
 - Increase awareness of issues through publication of research results
- Work with industry partners (AI, TAF, NAR etc.) on appraiser education related to bias, unconscious bias
- Continue Involvement in OCC Project REACH
- Continue Appraiser Diversity Efforts through ADI (with Fannie Mae, Appraisal Institute, National Urban League)
 - Recruit new appraisers with greater diversity
 - Provide scholarship money to cover educational costs (Chase has donated \$3,000,000)
 - Provide mentors and one-on-one training from Freddie Mac appraisal staff to support new appraisers and supervisors
- Explore Greater Use of Automation and Third-Party Data Sources to Reduce Potential Bias
 - Expand use of ACE (appraisal waiver), ACE with Property Inspection
 - Hybrid Appraisal (Data Collection by Third Party)
- Refine Undervaluation Rules in Loan Collateral Advisor
 - We have existing rules to identify potential undervaluation, but they are not as effective as desired
 - Refine rule criteria and application to provide more reliable undervaluation indicator

MEDA logo and page number 21 are visible at the bottom right of the slide.

Sharing the lender perspective on appraisal bias

In October, HPC's Appraisal Working Group continued refining its recommendations (discussed in our [October newsletter](#)) for the Biden Administration's Interagency Task Force on Property Appraisal and Valuation Equity (PAVE) and engaged with several key stakeholder groups to hear their

concerns and suggestions. This engagement included conversations with FHFA and Appraisal Subcommittee staff and participation in an industry listening session hosted by the PAVE task force. The National Fair Housing Alliance has also asked HPC for our input on their official review of the FFIEC's real estate appraisal standards and appraiser qualification criteria. Michael Bradley, the SVP for Single-Family, Modeling, Econometrics, Data Science and Analytics at Freddie Mac presented and discussed Freddie's recently released research on disparities between contract prices and opinions of value in Black and Hispanic neighborhoods with the working group. In this session, HPC members suggested additional analyses Freddie could complete to further inform and explain the observations identified, including looking at MLS data to determine how realtor influence may affect sales prices and assessing the core property data set, to identify and account for any historical bias that might be reflected. The HPC working group will submit its recommendations to the PAVE task force shortly and then seek a meeting to discuss our suggestions.

Urging FHA to implement a 40-year loan modification more slowly and carefully

HPC commented with MBA on an FHA [draft Mortgagee Letter](#) proposing to add a 40-year loan modification option to FHA's COVID-19 Recovery Loss Mitigation Options. HPC's letter expressed general support for a 40-year loan modification for FHA loans while also expressing concerns with the timing and temporary nature of a program available only for COVID-19 loss mitigation. The letter urged FHA to delay any introduction of a 40-year modification until after the 1st quarter of 2022, with an adequate implementation timeframe of at least 90 days and suggested that FHA take the time to carefully construct a 40-year

modification program that could be permanently added to its suite of loss mitigation options, available to borrowers where appropriate and beneficial. The letter noted several negative impacts of the proposal on borrowers, expressed concerns with several proposed rules and remaining uncertainties, and highlighted the need for FHA to foster development of a transparent and liquid market for 40-year modifications, a necessary condition for success.

[Read the 10/27 letter to FHA](#)

Securing CFPB support for a Direct Connect program for Servicemember Civil Relief Act compliance

In mid-October, the Servicemembers Affairs Working Group held a briefing with CFPB officials, highlighting the impacts of forbearance on servicemembers and the opportunity to assist them through the Homeowner Assistance Fund. The primary objective of the meeting, however, was to update the Bureau on the slow pace and limited scope of the Department of Defense's Defense Manpower Data Center's efforts to update their SCRA database. The update would create an automated "Direct Connect" for financial institutions, using a modern Application Programming Interface, to access the data needed to validate borrower military service to qualify for SCRA protection. HPC's key message was that a Direct Connect system would significantly improve the effectiveness, efficiency, and security, enhancing customer service and legal protections for servicemembers. Because this is the system of record that permits servicemembers to receive their legal protections, the CFPB agreed that this was a critical project and that they would reinforce the message that

the Department of Defense should prioritize and implement appropriate system upgrades expeditiously.

Recommending new ways for the GSEs to close the racial homeownership gap

HPC submitted a response to FHFA's [Request for Input on the Enterprise Equitable Housing Finance Plans](#), noting that the historical lack of progress on reducing the racial homeownership gap indicates that a new approach is needed. The letter, developed with input from a working group of interested HPC members, recommended that the Enterprises, among other things, initiate regular review of loan pricing, and recalibrate if necessary to prevent any disparate impact on protected classes and explore updates to the GSE Automated Underwriting Systems including incorporating additional alternative approaches or data sources. HPC also suggested that FHFA consider instituting a competitive and transparent enterprise grant program to offer direct subsidies to high-capacity housing creators on the ground and urged more research and data sharing, particularly related to potential bias in valuation discrepancy and credit underwriting. Finally, the letter recommended that the GSEs establish clear measures of success, annual reporting, and a process for regular stakeholder engagement.

[Read the 10/25 letter](#)

Urging MISMO to allow for digitally sourced and verified loans in their new data standards

HPC is working with members in the digital verification of income and assets (DVOI&A) workstream to develop a comment letter in response to the development of the MISMO private label residential mortgage-backed securities (PL RMBS) Standard Dataset; the letter outlines the rationale for expanding the PL RMBS dataset to include documentation, definitions, processes, and data structures required to include digitally sourced and/or verified loans.

Monitoring LIBOR transition

HPC has continued to monitor the language and legislative strategy related to the Adjustable Interest Rate (LIBOR) Act of 2021. HPC convened the LIBOR working group to discuss HUD's Advanced Notice of Proposed Rulemaking (ANPR) affecting LIBOR-based forward and reverse adjustable-rate mortgages and explored opportunities for a joint-trade response with other industry groups. Comments are due on December 5, 2021.

Shifting focus into Ginnie Mae modernization

To date, the Ginnie Mae working group had focused on responding to agency communications, including the Issuer Eligibility RFI, 40 Year pool press release, and VA seasoning repurchase demands. During October, we shifted to a more proactive stance and began identifying policy recommendations to change Ginnie Mae's current restrictions on re-performing loans as well as the loan and pool certification requirements in support of a long-term loan level strategy.



October 28, 2021. On FHFA's equitable housing plans: [Industry and housing groups expect big things from FHFA](#). This report on the comment letters submitted in response to the FHFA's RFI on the Enterprise Equitable Housing Plans includes several quotes from HPC's letter (discussed above) including HPC's request that the GSEs release their appraisal data and suggestion that FHFA expand the use of alternative data for assessing credit worthiness, particularly bank account data.

October 27, 2021. On the resurgence in PLS securities: [Private-label market filled the void created by PSPA changes](#). Ed DeMarco notes, in an interview, that the private-label securities market made its potential clear by stepping in with private securitizations when the GSEs capped investor purchases but that with the GSE cap removed, it will be hard to compete with the GSEs for these securitizations.

October 27, 2021. On the CFPB and the QM rule: [Rohit Chopra pleads the fifth on QM rule](#). This article on Chopra's testimony includes quotes from HPC's March comment letter on the delay of the mandatory compliance date of the 2020 General QM rule, noting that the delay creates uncertainty for lenders and that any modifications to the 2020 rule should follow the standard APA rule-making process.

October 18, 2021. On the Homeowner Assistance Fund: [Forbearance heading](#)

[one direction: down](#). Quotes Meg Burns' comments at the October 15th Urban Institute event (discussed above) that the "passage of time is reshaping the population that could be served" by the \$10 billion HAF fund: "The opportunity to match [Homeowner Assistance Funds] funds with some of the other resources suggests that complex rules that would narrow the population that's targeted for this assistance or complex program designs that try to custom tailor a solution for each household really may not be warranted."

October 7, 2021. On FHFA under Sandra Thompson: [Here's where the FHFA is headed under Sandra Thompson](#). Includes comments from a previous interview with Ed DeMarco that Thompson's priorities are reflective of the "balance and the duality for the vision and what she sees as FHFA's responsibility: Safety and soundness and access to credit are not mutually exclusive, but reinforce each other," DeMarco said of Thompson's remarks. "You don't come in and blow up underwriting standards in order to expand access to credit."

Please send us your feedback.

Please email HPC's SVP for Public Affairs, Sheryl Pardo, at Sheryl.Pardo@housingpolicycouncil.org with your thoughts on what was helpful in this month's newsletter and what additional information you would like to see on a monthly basis.

Please email newsletter@housingpolicycouncil.org to add a colleague's email to our list of newsletter subscribers.

With questions or for more information about any working groups, email workinggroups@housingpolicycouncil.org.

Review HPC's newsletter archive [here](#).

