THE HPC BULLETIN

A MONTHLY NEWSLETTER

Welcome to the August edition of the HPC Bulletin. In this month's newsletter you'll find:

Policy Pulse

HPC Affordable Housing Workstream

HPC is launching the next phase of its strategic objective to "build partnerships to expand sustainable homeownership opportunities" with assistance from a long-time expert in the field, Sarah Gerecke. Sarah runs her own consulting firm today, but most recently served as the Director of HUD's Office of Housing Counseling. The breadth of Sarah's impressive professional career in affordable housing includes positions in development, lending, and real estate. The first step in this project is business intelligence. Sarah will be compiling, digesting, and synthesizing input from member companies that will ultimately be used to develop a set of ideas for HPC and its members to pursue, whether it be new products or practices, innovative approaches to reach traditionally underserved borrowers, targeted engagement with community partners, or special programs with housing counseling agencies. At this stage, the sky is the limit. There is no specific proposal that HPC is seeking to validate. We welcome Sarah's leadership and are pleased that HPC members have enthusiastically signed up to share their thoughts with Sarah.

Disparate Impact

Consistent with the previous constructive dialogue between HPC, the National Fair Housing Alliance (NFHA), Center for Responsible Lending (CRL), and the

National Association for the Advancement of Colored People (NAACP) that focused on mutual concerns with HUD's proposal to amend the Fair Housing Act rule on Disparate Impact, HPC submitted a *request to HUD* on July 15th to withhold publication of the final rule. Earlier policy discussions with the civil rights community strengthened the partnership and collective commitment to advance fair lending enforcement in housing finance. Now, with the heightened level of concern and sensitivity to civil rights and equal protection under the law felt across the U.S., HPC members suggested that HUD pause before issuing the final rule. A pause would enable HUD to bring together housing providers, lenders, and the civil rights community for renewed discussion about how to effectively preserve and protect the right to pursue legal action for housing-related discrimination, be it purposeful or unintentional.

Qualified Mortgage

CFPB's much-anticipated proposed rulemaking to update the QM definition upon sunset of the GSE Patch was published on June 22nd as two proposals. These proposals align well with HPC's recommendations to the Bureau, captured in an *HPC-only letter*, a *letter developed with the Center for Responsible Lending*, and a *letter HPC produced with 23 industry and consumer advocacy organizations*. In the first of the two proposals from CFPB, expiration of the GSE Patch would be delayed until final adoption of a new General QM definition, with a six-month transition period. The second proposed rule would replace the DTI limit (and Appendix Q) in the general QM definition with a requirement for evidence in the loan file that the borrower's income and debt were verified and DTI considered. The CFPB also proposes to add a new feature to the QM definition, imposing a rate threshold cap, setting the APR for a QM loan at no more than 200 basis points above APOR. The proposal also retains the existing Safe Harbor cap, which deems QM loans with APRs no greater than 150 basis points over APOR to be conclusively presumed to fulfill ATR. Comments on the GSE Patch sunset proposal are due on August 10th and for the general QM definition on September 8th.

FHA - Mortgage Letter on Loss Mitigation and Handbook Update

FHA published comprehensive guidance on COVID-19 loss mitigation programs in early July and the hierarchy of options available are carefully conceived and well-designed. Of note, FHA has been responsive to the industry, crafting program solutions that are sensible and streamlined. The set of options available to owner-occupants is intended to accommodate the customer's ability-to-repay, starting with the program that will permit resumption of monthly payments at the previous level, before moving to programs that will allow for deeper levels of payment reduction to achieve affordability (Stand-Alone Partial Claim; Streamlined Mod; Combo Mod and Partial Claim; FHA-HAMP). HPC has been in dialogue with the FHA on these programs for months and expressed immediate appreciation for the high quality of the FHA policy work. A minimal number of outstanding issues are under discussion, including the consistent treatment of missed tax and insurance payments under the various programs. FHA will likely clarify the policy in an FHA Resource Center FAQ. FHA has also issued a comprehensive update to the servicing section of the Single Family Handbook, 4000.1. HPC has agreed to develop and submit comments jointly with ABA and MBA. Comments are due on September 12.

Ginnie Mae's Digital Collateral Program

In a move towards a digital mortgage environment, Ginnie Mae published its final guidelines (eGuide) kicking off their Digital Collateral Program in mid-July. This new eGuide covers the entire set of responsibilities for both issuers and document custodians to participate in the Digital Collateral Program. Once the program is implemented it will allow lenders to originate electronic promissory notes and other digitized loan files as collateral for Ginnie Mae Securities. Although there is no size or time limit to the program, Ginnie Mae has chosen to put in a place a number of restrictions such as: no commingling of paper and e-Notes; a prohibition from participation in the Pools Issued for Immediate Transfer (PIIT) program; and distinct commitment authority for the digital business, all of which will likely keep participation in the initial phase of the program somewhat limited. HPC's Ginnie Mae working group discussed various components of the eGuide, focusing on the changes from the original eGuide proposal that addressed HPC concerns. Members of the working group have put together a series of questions on the eGuide, for which the HPC team will seek guidance and clarity from Ginnie Mae. The application deadline to participate in the initial phase of the Digital Collateral Program is August 15.

Ed's Insights

In July, I testified before the House Financial Services Subcommittee on Oversight and Investigations' virtual hearing entitled, "Protecting Homeowners During the Pandemic: Oversight of Mortgage Servicers' Implementation of the CARES Act." While preparing my testimony, I was reminded of the mortgage industry's resilience as servicers have quickly adapted to our "new normal."

From the outset of this emergency, HPC members have been committed to keeping individual borrowers and families in their homes. We have been doing so in partnership with many others, including government

agencies and federal regulators, Congress, nonprofit and community organizations, as well as other stakeholders.
The response of HPC members has been shaped by lessons learned during the Great Recession and subsequent natural disasters - though this is a mortgage servicing industry far different from the one I encountered during the Great Recession. The capacity and commitment to serve customers and the tools available to provide near-term relief and long-term solutions is far greater than it was twelve years ago.

The challenges facing homeowners today are not the result of poor underwriting standards or inappropriate business practices. This pandemic is a national health crisis, and the steps taken to combat it have had enormous economic consequences. In the wake of this crisis, bank portfolio lenders and other investors have responded voluntarily, without a federal directive, providing borrower payment relief at an even greater rate than we see for GSE loans.

In response to the rapid development of this crisis, HPC members and other mortgage servicers:

- Shifted all their operations virtually.
- Trained their staffs remotely and modified technology to manage the enormous inflow of borrower inquiries.
- Quickly set up automated on-line tools for borrowers to educate themselves and request payment relief using streamlined processes.
- Began offering homeowners forbearance options before the passage of the CARES Act.
- Extended forbearance to homeowners that do not have federally backed mortgages.
- Executed against an evolving series of program and regulatory announcements.

As enormous as the effort to quickly assist families facing disruptions to their financial circumstances has been, many challenges threaten our ultimate success. The two biggest are (1) the unknown duration of the pandemic and the consequent economic disruptions and (2) the transition from short-term payment relief to permanent solutions, which must be suitable for each affected household, addressing their unique financial circumstances. Prompt and effective communication, combined with stability in program rules, will be key to successful resolution of forbearance.

- *Ed DeMarco*

Member Spotlight

Bringing resolve to meet a homeownership commitment

From the COVID-19 pandemic to soaring unemployment, African Americans face a number of challenges to homebuying this year. Cerita Battles of Wells Fargo discusses the commitment to boost African American homeownership amid adversity.

Before the COVID-19 crisis, the homeownership rate for African Americans had risen to 44% — its highest point in eight years. But amid the pandemic's economic fallout, that mark could now be in jeopardy.

For Cerita Battles of Wells Fargo, that increases the urgency of a commitment the company made three years ago to boost African American homeownership.

"It's imperative that we understand the impact the coronavirus economic crisis could have on certain segments of the population, especially minority communities," said Battles, head of diverse segments for Wells Fargo Home Lending. "And we know the more we position ourselves from a leadership perspective to serve people in need, the more we can help them navigate and rebound in these unprecedented times." [Read more here]

Housing Industry: Must-Read

Big Banks' 'Revolutionary' Request: Please Don't Weaken This Rule

Executives from the country's four biggest banks — Bank of America, Citigroup, JPMorgan Chase and Wells Fargo — have asked the Department of Housing and Urban Development not to rewrite requirements to ensure they're not accidentally discriminating against Black and Latino customers in their mortgage businesses. [Emily Flitter, *The New York Times*]

HPC in the News

- Housing Policy Council grows mortgage leadership team - Mortgage Professional America
- GSE capital plan would make buying a home more expensive, critics say - American Banker
- Homeowners getting mortgage relief even from lenders not required to offer it - Bankrate