



# THE HPC BULLETIN

A MONTHLY NEWSLETTER

## Welcome to the July edition of the HPC Bulletin.

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

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### *"Change remains our only constant."*

Well, June was certainly an interesting month. I wish I could report there won't be more changes in July but that won't be the case; change remains our only constant. That isn't helpful when servicers are trying to assist 2 million people coming off of forbearance and processing pipelines get disrupted by program changes implemented without lead-time. Let me focus briefly on the positives.

CFPB listened to our concerns regarding their proposed changes to Reg X. The final rule addressing foreclosure safeguards is much more reasonable than the proposed rule, and servicers will be better equipped to operationalize the changes (not that it will be easy, just easier). FHFA went with the Fannie approach to modifying Flex Mod, again a win for ease of implementation.

As of this writing, FHA changes remain a challenge. The engagement with the HUD/FHA team has been very good, and we believe they sincerely want to introduce changes that servicers can implement. Unfortunately, as we all know, mortgage servicing is complex, borrowers can present all sorts of interesting situations, and FHA policy and practice don't always align well with Ginnie protocols, CFPB rules, and servicer technology.

Our daily engagement with the team at FHA – and the broader HUD, Treasury, CFPB, VA, USDA, Ginnie Mae, and White House teams – will continue. Our goal is to understand what they are trying to accomplish and give them practical, realistic advice on how best to do it. Of course, making program changes weeks before the expiration of forbearance for millions of households is troublesome, to say the least. But we hope that continued constructive engagement can help shape the final changes made by FHA.

Somewhat overlooked in the coverage of the Supreme Court's ruling in Collins vs. Yellen was the 9-0 ruling against the plaintiff's statutory claims regarding the third amendment. Of course, the constitutional ruling regarding the Director position led to an immediate change at the top of FHFA. Sandra Thompson, the new Acting Director, has served at FHFA since 2013 (when I hired her) and has tremendous depth across all of FHFA's housing mission and safety and soundness responsibilities. She is an outstanding regulator, with a wealth of experience in both safety and soundness oversight and consumer issues.

I look for the Acting Director to be measured in her approach, thoughtful in her actions, and sensitive to how changes made by FHFA are received by, and affect, consumers, industry participants, and advocates.

Finally, HPC closed the month with our first "virtual" annual meeting. With participation limited to our 32 member companies and four affiliate partners, we had more than 180 people listen in. While we look forward to being back in-person next year, we are grateful for the support and participation of so many people across our member companies.

From our whole team to yours, hope everyone had a great July 4th!

*Edward J. DeMauro*





## **FHFA's Flex Mod ruling extends options for distressed homeowners with significant equity**

In early June, HPC took the lead in partnering with 10 consumer advocacy groups and three trade associations to craft [a letter to FHFA and the GSEs](#), requesting that the Flex Modification guidelines allow for an interest rate reduction for distressed borrowers with significant equity in their homes to achieve deeper payment relief. On June 30th, FHFA [announced](#) that it would require the GSEs to implement this change, in line with the HPC-joint letter, and that both GSEs must use the same method for applying the Flex Mod guidelines.

## **Final CFPB Reg X rule significantly improves on the original proposal**

On June 28th, the CFPB issued its [final changes to the RESPA Regulation X rules related to COVID](#), establishing **temporary special COVID-19 procedural safeguards** that must be met for certain mortgages before the servicer can make the first notice or filing required for any foreclosure process because of delinquency. The final rule was responsive to practical concerns expressed in HPC's [comment letter](#) about the [proposed changes](#) as well as [previous comments](#) submitted in July 2020 requesting anti-evasion treatment for streamlined loan modifications. The rule's preamble noted that "... some foreclosures are unavoidable and that not every borrower will be able to stay in their home indefinitely." Most significantly, the rule details four exemptions, requested by HPC:

- Vacant and abandoned properties;
- Non-responsive borrowers;
- Borrowers who have already been evaluated for loss mitigation and did not qualify;
- Borrowers who were 120 days delinquent before the national emergency was announced on March 1, 2020.

HPC's primary recommendation for Reg X continues to be that the CFPB develop a new section or set of provisions that address the unique circumstances posed by disaster or emergency situations, where servicers are expected to rely on streamlined methods to offer borrowers extended forbearance and loss mitigation.

## Understanding the way Racial Inequities affect Black Homeownership

Our [series](#) of presentations and discussions that bring experts and HPC members together to consider how to address racial disparities in homeownership continues on July 12th, from 2-3:00 PM, when [three valuation experts](#) will connect the dots between theories, data, and practical solutions. Featured speakers presenting the practitioner perspective on valuation bias include CoreLogic's Ann Regan, Better.com's Jillian White, and JPMorgan Chase's Dan Hofacker.

## HPC specifies actions FHFA can take to address the racial homeownership gap

HPC's VP for Mortgage Policy, Matt Douglas, participated in FHFA's June 29th Public Listening Session on Closing the Gap to Sustainable Homeownership. Matt's remarks focused on an easy and important action FHFA could take at its sole discretion, without waiting for regulatory or legislative changes, to meaningfully address the racial homeownership gap: using its wealth of data to provide significantly more information to the public through its research as well as in public reports to Congress. In particular, FHFA could include more demographic data on race and ethnicity in its regular reports to Congress, including the Annual Housing Report and the Annual Report to Congress.

[Read Remarks](#)

## Urging FHA to remove new “Curtailment of Claims” for Property Preservation Expenses

FHA's 4000.1 handbook, which takes effect on March 31, 2022, per an [announced delay](#), includes a new requirement for servicers to self-curtail claims for property preservation expenses if specific benchmark timelines are missed. HUD does not have the regulatory authority, however, to curtail claims for property preservation expenses based on a missed foreclosure commencement or reasonable diligence timeframes, both of which trigger the new requirement. Accordingly, our [June 18, 2021 letter](#) to Lopa Kolluri, Principal Deputy Assistant Secretary at FHA, asked FHA to remove this portion of the new “Curtailment of Claims” requirement.

## Asking FHFA to make risk-based appraisal flexibilities permanent

In a [June 14, 2021 letter](#), HPC asked FHFA to reinstate the recently expired GSE COVID-related appraisal flexibilities as a permanent part of a continuum of property valuation options, to be exercised based on the risk profile of the loan transaction. HPC noted that the appraisal flexibilities were not widely adopted because the temporary nature of the special authority did not justify the operational changes required but that, if they were made permanent, more widespread adoption would likely follow. HPC reiterated its support for a risk-based continuum for property valuation options that includes a range of valuation methods that vary based on their reliance on data and technology vs. human assessment and for the public release of the GSE's extensive property valuation dataset.

## Supporting continued QRM and QM alignment

In a [June 7, 2021 letter](#) co-signed with five trade associations, HPC thanked six key regulators for delaying publication of the Credit Risk Retention Rule until the CFPB had issued final regulations related to the Qualified Mortgage (QM) rule and asked that the regulators continue to seek alignment of the Qualified Residential Mortgage (QRM) rule and the QM rule frameworks.



*Below you will find a topline summary of the work of HPC's working groups in June. Email [workinggroups@housingpolicycouncil.org](mailto:workinggroups@housingpolicycouncil.org) for more information or to be added/removed from a group.*

The **COVID Response working group** met more than twice a week in June to discuss pending and final actions by federal regulators to support borrowers coming out of forbearance, and to identify questions and concerns for HPC staff to take back to conversations with key regulators on their activities. The issues discussed included

**Affordable Housing working group:** After considerable deliberation, HPC has decided against proceeding with two specific project proposals for achieving HPC's strategic goal of building partnerships to expand sustainable homeownership (a downpayment assistance database collaboration and a Neighborhood LIFT

additions to the COVID loss mitigation waterfall for FHA, VA, and USDA, clarifications regarding Mortgage Letter 2021-15, the CFPB's final Regulation X rule changes related to COVID-19, the GSEs expanded flex modification authority, changes to the FHA handbook, and extended foreclosure moratoriums. HPC staff facilitated a conference call with VA staff to discuss their potential waterfall changes and the preparation of written feedback to FHA following FHA staff conversations with HPC members regarding potential waterfall changes and regarding questions about ML 2021-15. Of note, HPC and HPC servicers met with White House staff, at their invitation, to discuss the industry's concerns with FHA's proposed changes. An interagency government working group has also continued to engage with HPC on the broad set of changes underway.

The **Homeowner Assistance Fund (HAF) Collaborative**, convened by HPC, is comprised of state housing finance agency representatives, HPC members, representatives from the National Council of State Housing Finance Agencies (NCSHA), and officials from the interagency government task force, most notably Treasury Department representatives. Fannie Mae also asked to join two HAF calls to discuss pending servicing issues with attendees. The HAF collaborative, which met six times in June, seeks to align programs, processes, forms, and

collaboration). Instead, HPC has decided to pivot to a focus on developing policy proposals that could have a meaningful impact on sustainable homeownership. The Affordable Housing Working Group will review a list of policy ideas that have been generated during the vetting process as well as additional ideas suggested during the June 25th Housing Policy Executive Council. The first item on the list will be low balance loans.

The **Foreclosure working group** is focused on helping HPC members prepare to handle the backlog in foreclosures that will emerge once various moratoriums end. The WG met twice in June and devoted one meeting to a discussion with two foreclosure attorney groups about potential collaborations. On June 16th, HPC submitted a request to FHFA asking them to consider making policy changes to the overall foreclosures timeline, as well as to adjust allowable fees in the foreclosures process. The working group has now pivoted to developing policy recommendations to improve the FHA conveyance process.

The **Ginnie Mae Working Group** re-launched during a June 1st meeting to identify the core policy and program recommendations that should drive HPC's strategic engagement with Ginnie Mae. The meeting participants identified and prioritized issues into one of three general focus areas: collateral management requirements, securitization platform

communications across states and share information to speed the effective distribution of the \$10 billion in HAF funding to homeowners in distress. A subgroup of the collaborative evaluated the Hardest Hit Fund's CDF form in a series of meetings and recommended to the bigger group that this existing infrastructure be used at the start of the HAF program to speed implementation. The collaborative is also working to standardize various forms that could be used across programs including a borrower consent form and a HAF cooperation agreement.

enhancements, and servicing and investor accounting requirement updates. A sub-working group is being formed to assess and work on the issues for each of these focus areas. Beginning this month, HPC will host a monthly status update where the group at-large can be informed about the work product and status of the various sub-working group initiatives.



*This month's Executive Spotlight features Radian CEO Rick Thornberry, who discusses how housing professionals can make homeownership more accessible and sustainable as well as challenges for the mortgage industry over the next three years.*

### **Supporting Affordable Housing is a top Industry Challenge and Opportunity**

Radian CEO Rick Thornberry reflects on the need to increase the supply of affordable housing through innovative construction approaches, reform of local regulations, and support of sensible regulations and policies to provide targeted support to first-time and minority homebuyers. He sees this challenge and the transformation that digital products will bring as the top priorities for the industry, and MI in particular, in the coming years.



[Read More](#)



**June 30, 2021, National Mortgage News:** [FHFA addresses regulatory gap as servicers prep for foreclosure return](#). Meg Burns discusses one of the exemptions to the CFPB's new temporary special COVID-19 procedural safeguards rule.

**June 18, 2021, Bloomberg Law:** [Biden Kicks Off Effort to End Discrimination in Home Appraisals](#). Meg Burns weighs in on the need for and challenges of revising the home appraisal process to eliminate racial bias.

**June 9, 2021, National Mortgage News:** [Groups seek to keep mortgage origination, securitization rules aligned](#). Article discusses the comment letter submitted by HPC and other trades in support of continued alignment of the Credit Risk Retention Rule's Qualified Residential Mortgage and the CFPB's Qualified Mortgage definitions.

**June 8, 2021, Florida Realtors News:** [When Will Buyers Again See Foreclosures Listed for Sale?](#) Article discusses HPC's comment letter on the CFPB's proposed changes to Reg X.

**June 7, 2021, American Banker:** [FHFA veteran reflects on 20 turbulent years in housing finance](#). Ed DeMarco discusses the career of Alfred Pollard, FHFA general counsel, 2008 - April, 2021.

**June 4, 2021, American Banker:** [GOP senator wants to cut deal on GSE reform. Will Democrats listen?](#) Ed DeMarco notes that the GSEs' successful operations during the pandemic do not preclude the need for legislative reforms to enable more competition in the mortgage market by addressing this government-directed duopoly.

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*Our SVP for Public Affairs, Sheryl Pardo, continues to revamp our newsletter to better provide you with the most useful information. Please email her at [Sheryl.Pardo@housingpolicycouncil.org](mailto:Sheryl.Pardo@housingpolicycouncil.org) with your thoughts on what was helpful in today's newsletter and what additional information you would like to see on a monthly basis.*

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