



# THE HPC BULLETIN

A MONTHLY NEWSLETTER



*HPC's Executive Council had robust discussions last week on several topics, including HPC's strategic plan, private label securitization, and liquidity risk in housing finance.*

The Council agreed to a strategic plan framework built around the flow of cash across the housing finance system, from global investors to American households. Distinct goals will focus on the primary and secondary market's role in advancing a reliable, stable, and liquid market. Other goals will focus on enhancing private risk management practices, aligning government programs, and promoting a fair and balanced regulatory framework.

The Council discussed the importance of data and reporting standardization as the cornerstone to rebuilding a robust private label securities market. HPC has

been engaging with the Structured Finance Association and MISMO, each of which has active work ongoing in these areas.

Last Thursday, FHFA released a new proposal for seller/servicer liquidity standards, “Re-proposal to Enhance Eligibility Requirements for Enterprise Single-Family Seller/Servicers.” As liquidity risk was already on the Executive Council agenda, the Council initiated HPC’s evaluation of this proposal as part of the broader discussion on how liquidity risk permeates the housing finance system at the firm level, the system level, and through government program rules and mandates (such as the CARES Act forbearance requirements). HPC will reassemble the working group to begin to develop our response to this notice.

Finally, I am pleased to report that HPC’s regular engagement with FHFA, CFPB, FHA, and Ginnie Mae continues to flourish. We have established solid working relationships with the Biden Administration leadership at each of these agencies and we expect to be deeply engaged with them in the coming months on many HPC priority issues.

*Ed*



## **Housing Policy Executive Committee’s (HPEC’s) February Meeting**

HPEC’s February meeting kicked off with dinner remarks by Freddie Mac CEO Michael DeVito who talked about Freddie Mac’s straightforward but complicated obligation to manage risk across the system to advance the mission of liquidity, sustainability, and affordability. He noted the significance of CRTs and invited HPC and its members to engage with the Freddie Mac team to identify problems and devise solutions together. The next day, CFPB Director Rohit Chopra also addressed the group in-person and noted his focus on areas of the consumer finance market that don’t exhibit high levels of competition. He expressed appreciation for the significant and close collaboration between CFPB and HPC and touched on priority issues for the marketplace, including concerns about artificial intelligence and algorithmic bias, better credit reporting, and the importance of data for understanding consumer behavior. HPEC also reviewed the status of and offered guidance for

HPC's work on key projects including the Homeowner Assistance Fund, Ginnie Mae modernization, and the PLS market infrastructure and reviewed the draft outline of the goals, policies, and next steps for HPC's five year strategic plan.

## **FHFA's Final Changes to the Enterprise Capital Framework**

HPC recently issued a statement in support of FHFA's February 25<sup>th</sup> publication of its [Final Rule Amending the Enterprise Regulatory Capital Framework](#). The final rule, which takes effect in late April, includes three changes that improve the framework's risk sensitivity and that are consistent with HPC's previous recommendations. Most importantly, the rule makes credit risk transfers more economic. HPC's GSE Capital Working Group reviewed the changes proposed by FHFA in September and submitted a [comment letter supporting the proposal](#).

[Read HPC's Statement](#)

## **Ginnie Mae Policy Work**

HPC's Ginnie Mae Working Group will be meeting this month to discuss several issues, including the HPC meeting with Ginnie Mae President Alanna McCargo. The meeting with Alanna will cover Ginnie's securitization platform modernization efforts, the policy changes that will be possible with upgraded technology, the need for public input during the planning and development process, and the benefits of distributed ledger and block chain technology. HPC communicated with Ginnie Mae regarding our [November letter](#), co-signed by the MBA, asking that Ginnie eliminate the seasoning and custom-pooling restrictions on the pooling eligibility of reperforming loans. While Ginnie Mae has initiated a review of the restrictions, a final determination is unlikely to materialize for several months and may take until the end of 2022.

## **Homeowner Assistance Fund (HAF) Implementation**

As of March 1<sup>st</sup>, the US Treasury has approved HAF plans in 81 states, territories, and tribes, including 46 states and DC; 25 states and territories are currently accepting applications from homeowners. HPC continues to meet regularly, often daily, with member company servicers, specific state program administrators, Federal regulators, and staff at the National Council of State Housing Agencies to address a wide variety of HAF implementation issues throughout the country. Our strong relationships with this wide variety of stakeholders has helped us quickly resolve several issues, but two main

problems continue to pose significant challenges to a smooth and rapid distribution of the \$10 billion in HAF funding. The first is the lack of standardization in how states handle the two distinct processes of loss mitigation and HAF application. Some states require one process to be completed before the other process can proceed, some states envision that these processes can proceed simultaneously and in an integrated fashion, and some states want borrowers to choose one or the other process. All states, however, expect servicers to accommodate whatever option they choose. A second challenge is the request by some consumer advocates that foreclosures be halted once a borrower has applied for HAF funding. There is no agreement on how these requests should be handled and responded to across states or organizations, creating confusion and inconsistency. HPC staff will continue to host calls with the key stakeholders, including federal officials and the GSEs, one time per month and NCHSA will host calls with servicers and state program administrators related to the Common Data File three times a month.

## **HPC's Continued Role in Washington's Property Valuation Conversation**

HPC and its Appraisal Working Group have been closely tracking and talking with various stakeholders as the conversation about disparities in property valuation continues to receive attention in both Washington and the media. Recent developments include the Federal Financial Institutions Examination Council (FFIEC) regulators' joint [initiation of the process of interagency rulemaking regarding AVM standards](#) as required by the Dodd-Frank Act; HPC has long advocated for the publication of these standards, most recently in our [recommendations to the PAVE Task Force](#) and is ready to engage, where appropriate, in this rulemaking process. Eight federal agencies, including the CFPB, also sent an [open letter](#) in February to the Appraisal Standards Board clarifying that appraisers may not rely on either supported or unsupported conclusions about race, color, religion, etc. characteristics in their valuation opinions. The CFPB reiterated in a blog the same day that [appraisal discrimination is illegal under federal law](#) and that, like HPC, it is carefully reviewing the National Fair Housing Alliance report, performed for the Appraisal Subcommittee, which assessed the USPAP standards and appraiser qualification criteria. The report also highlighted the fundamental structural problems with the regulatory framework surrounding the appraisal industry, a topic that HPC [noted in the press](#). HPC has also been in contact with House Financial Services Committee Chairwoman Maxine Waters' (D-CA) staff to share our work and recommendations for improving property valuations, after

Chairwoman Waters [called on regulators and the industry to hold appraisers accountable and announced plans for legislation.](#)

## Save the Date for HPC's Annual Meeting

For the first time in two years, HPC will convene in-person for our Annual Meeting this June. HPC member executives and senior staff will gather for dinner and an opening reception the evening of Wednesday, June 22 and then convene for an all-day policy conference on Thursday, June 23 at the Park Hyatt hotel in Washington, DC. The Executive Council will meet at the Park Hyatt the morning of Friday, June 24. More information, including registration details, coming soon.



- [FHA inches closer to offering a 40-year loan modification](#), HousingWire, Flávia Furlan Nunes, 2.24.22
- [CFPB is the latest agency to criticize the Appraisal Foundation](#), HousingWire+, Georgia Kromrei, 2.9.22
- [Trade groups call for expansion of draft FHA servicing defect taxonomy](#), American Banker, Bonnie Sinnock, 1.31.22

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*Please send us your feedback.*

*Please email HPC's VP for Public Affairs, Sheryl Pardo, at [Sheryl.Pardo@housingpolicycouncil.org](mailto: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](mailto:newsletter@housingpolicycouncil.org) to add a colleague's email to our list of newsletter subscribers.*

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