



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

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Ed's Insights

Economic volatility brought on by the coronavirus pandemic stressed market liquidity throughout the financial system, including for mortgage servicers. This national emergency magnified concerns that had been expressed just weeks earlier by both FSOC and FHFA over servicer liquidity.

While much has been done to address market disruptions, the need for appropriate prudential standards remains a priority on the regulatory agenda. Most recently, the Conference of State Bank Supervisors came forth with a proposed framework, modeled in large part on FHFA's January proposal. At the same time, FHFA has said they will re-issue the January proposal with revisions based on the experience this spring.

HPC has begun a careful examination of these various prudential standards proposals with a goal of developing a responsible framework for considering these issues. While our initial discussions have been with HPC's nonbank servicer members directly affected, our work will not be complete until it involves our broader membership.

HPC members, regardless of business line or charter, are committed to a safe and sound mortgage finance system and responsible risk management practices that ensure the safety and stability of that system. Our goals are nothing less than developing a capital and liquidity framework for nonbank servicers that is appropriate to the business risks involved and that instills confidence among regulators and market participants that servicers are prepared to manage through future market disruptions.

- Ed DeMarco



VA Letter

HPC developed a [comment letter](#) to the VA, signed jointly with the Mortgage Bankers Association, to offer feedback on VA's recently announced COVID-19 deferment program. Given the magnitude of the problems with the program, HPC and the MBA requested that the VA withdraw the COVID-19 deferment solution from its loss mitigation solutions until the industry's concerns are comprehensively addressed. Our letter acknowledged that a comprehensive deferral program could provide an opportunity for veterans exiting forbearance to successfully resume their regular mortgage payment. However, as currently designed, this program provides no reimbursement mechanism for servicers to recover advances made to cover a borrower's missed loan payments. Further, the program guidance lacks the critical details necessary to implement the deferral program, which would forestall responsible servicers from offering this option to veterans.

GSE QM Patch

In the much-anticipated move to provide the mortgage market certainty regarding the expiration of the GSE Patch, the CFPB issued a [final rule](#) that carries out the previous proposal to extend the GSE Patch until completion of the new General QM rule (unless the Patch otherwise expires prior to that due to the GSE's conservatorship ending). The Bureau also made two key changes from the proposed rule: 1) the trigger date for applying the new General QM rule rather than the GSE Patch for individual loans will be the application date not the loan consummation date – the Bureau took HPC's suggestion of changing the trigger from consummation (which would have created a gap between the old regime and new regime) to application; and 2) the trigger date for the expiration of the GSE patch is the "mandatory compliance date" of the revised General QM definition, rather than the effective date of the rule. This gives the Bureau room for the possibility of having an optional [early](#) adoption period for the revised General QM, which would co-exist with the current General QM rule. Institutions would be permitted to originate mortgages to the new General QM definition as of the effective date and prior to the mandatory compliance date. In other words, this does not extend the GSE Patch (as some commenters had requested), but instead allows for early adoption of the new General QM definition by institutions that are willing and able to do so.

COVID-19 Loss Mitigation Awareness Campaign

A broad-based collaborative, including financial institutions, trade associations, consumer advocates, civil rights groups, housing counseling agencies, and think tanks, has developed a COVID-19 mortgage relief awareness campaign. The objective of the campaign is to encourage households in need of payment relief or other assistance to contact their servicers or housing counseling agencies. The campaign targets two distinct groups of mortgage borrowers who are not engaged with their servicers: a) borrowers who are delinquent and have not requested payment relief through forbearance and b) borrowers whose forbearance plans are expiring and should extend or pursue a post-forbearance solution to resolve their outstanding missed payments. HPC member, Mr. Cooper was instrumental in designing a set of core materials, with common images and a tagline (“Not ok, That’s ok”) that will be used by collaborative participants, to supplement existing outreach efforts. The collaborative is setting up a web site where the various materials will be available to authorized participants, COVIDHelpforHome.org. The expected launch date is November 10th.



Disparate Impact

Complaints were filed in district courts in California, Connecticut, and Massachusetts, by several civil rights organizations. The U.S. District Court for the District of Massachusetts placed a nationwide preliminary injunction and stayed the implementation date for HUD’s new disparate impact rule, explicitly asserting that the status quo remains in place. The court found that the plaintiffs showed a substantial likelihood of success on the merits of their case, which claimed that the rule is arbitrary and capricious under the APA. HPC is discussing the situation with other trade associations.

FHA Technology

HPC invited FHA leadership to share the status of FHA Catalyst, the multi-year initiative to upgrade the FHA Single Family technology platform. FHA’s objective is to replace or enhance FHA technology to create an automated, paperless environment that will make it more efficient to do business with FHA and improve overall risk management. To-date, most of the FHA claims filing process has been updated and the agency is now focused on origination, which will include the launch of a new automated underwriting system (AUS) that will integrate with existing, commonly-used loan origination systems (LOS).

Reg AB II

The status of regulatory work on Reg AB II will be contingent upon the outcome of the national election. SEC and FHFA continue to discuss the issues raised by the industry, to determine what regulatory changes may be feasible and may hold a roundtable to discuss ideas with the industry before drafting a

proposal, but next steps will depend on changes in leadership at SEC.

Servicemember Affairs

The HPC Servicemember Affairs Committee met with the Defense Manpower Data Center management team to discuss proposed security upgrades for batch processing inquiries, which are used by HPC members to identify duty status of military customers. HPC is coordinating member input to DMDC on the proposed additional security requirements.

Member Spotlight

JPMORGAN CHASE & CO.

JPMorgan Chase Commits \$30 Billion to Advance Racial Equity

New commitments and public policy efforts will address key drivers of the racial wealth divide, reduce systemic racism against Black and Latinx people, and support employees

JPMorgan Chase announced new long-term commitments to advance racial equity. The firm will harness its expertise in business, policy and philanthropy and commit an additional \$30 billion over the next five years to provide economic opportunity to underserved communities, especially the Black and Latinx communities. [Read more [here](#)]

Housing Industry: Must-Read

Where Trump and Biden Stand on Mortgage Finance

The incumbent administration eyes returning Fannie Mae and Freddie Mac to private ownership. Democrats would use them to promote affordable housing.

Donald Trump and Joe Biden have divergent views on the federal government's role in the \$11

HPC in the News

- [How Biden and Trump differ on housing-finance reform](#) - MarketWatch
- [What will mortgage regulation and enforcement look like in 2021?](#) - HousingWire
- [2021 Regulation and Enforcement Outlook](#) - HousingWire
- [CFPB May Trip Over Dodd-Frank in Mortgage Rule Revamp](#) - Bloomberg Law

trillion mortgage market, with potential consequences for the price of home loans for millions of Americans. [Andrew Ackerman, [WSJ](#)]

- [The Consumer Financial Protection Bureau: Seasoned Qualified Mortgage Proposal and GSE Patch](#) - Jurist
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