



We are pleased to launch the Housing Policy Council's first email newsletter, the HPC Bulletin. As HPC continues our work advocating for a sound and competitive housing market that is fair and transparent for consumers and mortgage market participants, we hope this newsletter will serve as a valued resource.

In our first issue, it is important to discuss the current obstacles facing both our nation and the housing industry specifically.

The renewed public demand for racial justice in the wake of George Floyd's killing and other events reminds those of us in housing finance of the continued inequities in home ownership and our responsibilities to address them. While HPC put out a statement on these issues, and I addressed them in recent remarks at a housing conference, it is our actions that will count. As leaders in the housing finance industry, I believe HPC and its members have an opportunity and an obligation to show leadership on this issue.

I begin with two observations that guide my thinking. First, continued reliance on past programs and subsidies is not enough – they have failed to move the needle sufficiently, so we must seek better approaches. Second, we do not serve either home buyers or market participants with approaches that attempt to ignore credit risk. Instead, we need to be clear-eyed about risk and seek ways to reduce or mitigate it.

We know that many HPC member companies have announced new commitments of resources, dedicated programs, and renewed attention to the critical issue of racial justice and we applaud that work and have highlighted the work of one member company in this newsletter. I'd like to see us pledge to engage in this type of work collectively. We at HPC have been communicating with housing counseling, housing advocacy, and civil rights groups, and also state housing finance agencies, on these topics (indeed, we began this concerted outreach effort in early 2019 and have been working at it since). We are about to initiate an internal effort focused on counseling/training. As you and your organizations examine renewed efforts to foster home ownership, let's see what we can do together to advance the cause in a responsible and sustainable way that produces true improvement.

Be well,

Ed DeMarco, President, Housing Policy Council

In this month's newsletter you'll find:

- [*Policy Pulse*](#)
- [*Ed's Insights*](#)
- [*Member Spotlight*](#)
- [*Housing Industry: Must-Read*](#)
- [*HPC in the News*](#)



Policy Pulse

FHFA Capital Rule - HPC has reconstituted and reactivated the Capital Working Group to assess FHFA's re-proposed capital rule and develop comments for submission to FHFA. The new capital framework builds on the 2018 proposal, with a set of critical changes that are intended to: focus on the quality, in addition to the quantity, of capital available to protect the GSEs and stabilize the marketplace through the business cycle, including periods of economic stress; establish capital definitions and supplemental buffers that are consistent with the Basel capital approach, to impose a level of capital comparability across the mortgage market; and moderate the countercyclical impact associated with features of the 2018 capital proposal. HPC has joined a number of other trade associations to request an extension to the 60-day comment period, to allow more time for consideration of this complex proposal that includes a number of significant changes to the 2018 framework, many of which had been recommended by HPC. The working group has identified seven key topics in the rule for additional analysis: alignment with MI capital (definitions, structure, levels); alignment with bank capital (definitions, structure, levels); credit risk transfer treatment; counter-cyclical approach of the proposal; calibrating the risk grids and multipliers; calibrating the risk-based capital buffers; and the economics of the business if the Enterprises operated under the proposal.

Regulation X - While the forbearance requirement in the CARES Act offers an immediate form of payment relief that enables servicers to assist customers quickly and easily, it also creates challenges for compliance with strict Reg X rules regarding borrower contact and notification of loss mitigation options. Reg X defines the timing and content of communications, requirements that often conflict with the streamlined approaches to borrower assistance that are being deployed today. To address the disconnect, HPC submitted a letter to the CFPB recommending that the agency add a new section to Regulation X that would establish a distinct set of relevant processes for servicers to assist mortgage borrowers affected by emergencies such as the COVID-19 pandemic as well as federally declared disasters, when the same set of streamlined approaches to borrower assistance are used. The HPC proposal would permit servicers to use an optional, alternative approach to contact borrowers, efficiently provide emergency assistance, and communicate relevant information throughout the relief period. On June 15th, at a public event, CFPB Director Kraninger announced that she would like to see the CFPB consider new regulatory provisions to provide flexibility to national disasters, citing the HPC request.

Reg AB II - Following on the heels of successful policy dialogue with the SEC on Reg AB II, the HPC working group developed a high-level recommendation and rationale to model the disclosures for publicly-registered MBS on those used for private 144A transactions. When the SEC published a Request for Information on the topic in October 2019, HPC reached out to the ABA, MBA, and SIFMA to collectively discuss the topic and mutually develop a proposal for the SEC. This work was completed with a May 2020 submission of a joint trade comment letter to the SEC, recommending the harmonization of disclosures across all mortgage securitization types, beginning with alignment of registered deals under Reg AB II with the comprehensive disclosures currently used in private 144A transactions, a model that has proven to be acceptable to private issuers and investors alike. Additionally, HPC has been engaged in an ongoing dialogue with FHFA on the proposal, as FHFA collaborates with the SEC to develop a framework for discussion prior to publication of a proposed rule.

LIBOR - Fannie Mae and Freddie Mac released aligned strategic plans in May, outlining key milestones and activities to propel the mortgage industry's transition away from LIBOR to alternative reference rates. The plans serve as a playbook, describing the steps that the GSEs and industry must take to migrate new mortgages delivered to the GSEs after December 31, 2020 from LIBOR to the Secured Overnight Financing Rate (SOFR). [Meanwhile, CFPB released in June a proposed rule to amend the Truth in Lending Act (TILA) regulations to facilitate the transition away from LIBOR, clarifying how creditors may adopt alternative indices and margins in a manner that complies with Reg Z. The Bureau also overhauled the Consumer Handbook on Adjustable Rate Mortgages (CHARM booklet), a substantial improvement that simplifies key information and terms. These announcements address requests for additional action and clarification that HPC submitted to these two agencies and several other regulators in December 2019. The HPC LIBOR working group is assessing the announcements and developing a draft comment letter in response to the CFPB proposed regulation.

Community Reinvestment Act (CRA) - In the face of vocal opposition from a number of advocacy organizations and without the support of the FDIC, on May 20th, the OCC released a final rule updating the agency's CRA regulation. Additional regulatory activity is underway at the Fed, but the FDIC's work is on pause for the moment; the likelihood for future cooperation across the regulatory agencies remains uncertain at this point in time. The OCC is conducting a series of outreach events, to discuss and clarify aspects of the regulation, while also continuing the agency's ongoing effort to collect additional data and information to establish more relevant measures of lending activity that will be used to rate each financial institution's CRA performance. HPC's CRA working group discussed various components of the final rule, focusing on the modifications from the original proposal that addressed HPC concerns. Members of the working group are submitting to HPC a series of questions on the CRA regulation implementation, for which the HPC team will seek guidance and clarity from the OCC.



Ed's Insights

In June, Ed addressed Women in Housing & Finance members to discuss the current state of housing finance reform and the industry's response to challenges amid the Coronavirus pandemic. You can read Ed's prepared remarks [here](#).

Member Spotlight



PNC Commits More Than \$1 Billion To Help End Systemic Racism and Support Economic Empowerment of African Americans and Low- And Moderate-Income Communities

PNC's expanded commitment will provide more than **\$50 million** in additional charitable support for national and local work that will help eliminate systemic racism and promote social justice; expand financial education and workforce development initiatives; and enhance low-income neighborhood revitalization and affordable housing.

PNC's commitment also includes more than **\$1 billion** in community development financing and capital for neighborhood revitalization, consumers and small businesses; enhancements to PNC's existing matching gift program to include support for qualifying non-profit organizations that support economic empowerment and social justice educational efforts; and a commitment to fully engage PNC employees in support of qualifying social justice and economic empowerment non-profits through volunteerism, with up to 40 hours paid time off annually to do so. [Read more [here](#)]

Housing Industry: Must-Read



Fannie, Freddie Tap Wall Street Banks to Advise on Recapitalization

As regulators look to move to the GSEs out of conservatorship, Fannie Mae and Freddie Mac announced they had each appointed major Wall Street firms to advise them on raising capital. [Andrew Ackerman, [The Wall Street Journal](#)]

HPC in the News



- [Mortgage Lenders Consider Plan to Suspend Payments Amid Crisis](#) - The New York Times
- [Housing Group Sees 'Urgent Need' for U.S. to Help Loan Servicers](#) - Bloomberg Law
- [The Daily Download: Ed DeMarco on the mortgage industry's tremendous uncertainty](#) - HousingWire
- [DS5: How Servicers Are Utilizing Tech During COVID-19](#) - MReport
- [The FinReg Pod: Stress in America's Housing Finance System](#) - Duke University Law School

Thoughts? Suggestions?

We'd love your feedback on our newsletter in order to continue improving our service to you. To connect with us further, please visit our LinkedIn page, website or contact us at the email address below.

