THE HPC BULLETIN

A MONTHLY NEWSLETTER

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

- *Ed's Insights*
- *Policy Pulse*
- *Member Spotlight*
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FYI:

HPC is Hiring: HPC has posted three job openings on the Careers page of our website. We're looking for qualified candidates in the capital markets policy area, public affairs, and government relations. For more information, see our website or contact Ed or Meg. Please encourage any qualified folks you know that may be interested to contact us.

January Holidays: HPC will be closed on Monday, January 18, in honor of Martin Luther King Jr. Day, and Wednesday, January 20, due to the Presidential Inauguration.

Ed's Insights

2020 was a tumultuous year for our country and a year filled with difficult challenges for homeowners and servicers alike. Yet, it also saw record volumes for our industry. HPC also had a record volume in terms of comment letters and other publications and had a meaningful influence on critical issues of concern to our members. For a brief recap of HPC's 2020 activities and accomplishments, please see my recent note.

The start of 2021 has been disturbing, with the insurrection at the U.S. Capitol Building attacking the foundation of our democracy. I issued a statement on behalf of HPC denouncing these events and pledging that HPC would do its part on behalf of the housing finance industry, to contribute to the restorative work the country needs.

The incoming Biden Administration and the new Congress give all of us a refreshed opportunity to improve and strengthen our country, including how its housing finance system serves the needs of our citizens. Over many conversations with our members, I know how deeply committed member companies are to supporting home ownership opportunities and to do so with a sensitivity to the large racial inequities in housing. While solving those challenges will not take place overnight, addressing them does require urgency and dedication. I expect HPC to be a thought leader in addressing these issues and I look forward to working with you on them. In doing so, we will also be mindful of the need for effective risk management.

We have begun discussions with the incoming Administration, and I have already had the opportunity as part of a group to have introductions with HUD Secretary-Designate Marcia Fudge and to set forth for her HPC's thoughts about FHA and Ginnie Mae. We will be following up with her when she takes office.

Our near-term priority will remain pandemic-related challenges. We are focused on issues affecting borrowers coming to the end of their one-year of forbearance and on the future of that program. We recognize that the country continues to battle the pandemic and economic challenges for many remain severe.

Here's to a better and healthier 2021.

- Ed DeMarco

Policy Pulse

VA Partial Claim Program

HPC sent a comment letter to the Department of Veterans' Affairs (VA), signed jointly with the Mortgage Bankers Association, to offer constructive feedback on the VA's proposed partial claim program. The letter acknowledges that a partial claim program could provide a useful option for servicers when a veteran is no longer facing a hardship to successfully resume making their regular mortgage payments. However, the program proposed by the VA has features that make it unappealing for a veteran and servicer alike, including a mandate that the program be offered as a "last resort," which will likely render the program unworkable. Therefore, the letter recommends that instead of finalizing the partial claim program as-is or even with minor changes, the VA should significantly revise its proposal and implement a program similar to the FHA or USDA COVID standalone partial claim/mortgage recovery advance programs. Specifically, the VA should not require monthly payments from a veteran, the funds should not bear interest, and access to the program should be streamlined. Lastly, the program should not have an unnecessarily limited time window for relief but should be available for all borrowers exiting COVID forbearance. Comments on the proposed rule were due on January 8, 2021. HPC also developed a letter with National Consumer Law Center (NCLC) that was signed by a coalition of 27 industry and consumer advocacy organizations.

CSBS Letter

HPC sent a comment letter to the Conference of State Bank Supervisors (CSBS), to address the proposed regulatory prudential standards for nonbank mortgage servicers. HPC's response highlighted certain fundamental principles that we believe should guide development of prudential standards, namely: consistency with federal practices, uniformity in application, and alignment with the risks of mortgage servicing and the business models of nonbank mortgage servicers. Additionally, HPC believes that the CSBS proposal should be modified in certain respects. Specifically, HPC asked for consideration of the following:

- The definition of net worth could be aligned with current practices by Ginnie Mae and the Enterprises.
- Liquidity standards should recognize the array of liquidity sources relied upon in normal commercial practice and the types of liquidity risk to be managed.
- The liquidity requirements should cover near-term operating expenses and include a cushion to cover changes in market conditions.
- Some portion of committed but unused/available credit lines should count toward the liquidity requirement.
- The base liquidity requirement should reflect differences in remittance schedules.
- The incremental liquidity requirement is counterproductive and should be eliminated.
- A supplemental liquidity cushion for unexpected events could take alternative forms.
- States should defer to Ginnie Mae's stress testing.
- The concept of living wills should be replaced with contingency and continuity planning that includes transfer of servicing and resolutions.

Comments on the proposed regulatory prudential standards for nonbank mortgage servicers were due to CSBS by December 31st.

Joint Trade Letter Regarding Forbearance Timeframes

On December 17, HPC sent a letter to FHFA, HUD, USDA, VA, and the GSEs, signed jointly with the Mortgage Bankers Association, to request guidance establishing a consistent timeframe for how long CARES Act forbearance will be available. Specifically, we requested that the agencies consider declaring that forbearance assistance will be available until the end of the National Emergency declaration period, which would allow sufficient time for borrowers to access this assistance and servicers to plan for continued program delivery over the coming months.

On December 21, both FHA and USDA announced that forbearance assistance will remain available until the earlier of the termination date of the National Emergency or February 28, 2021. The VA had previously announced that forbearance assistance policy will be rescinded on April 1, 2021. The GSEs (and/or FHFA) have not yet announced an aligned policy on the forbearance assistance period.

Joint Trade Letter Regarding the GSEs' Appraisal Initiative

On December 21, HPC sent a letter to the GSEs, signed jointly with the Mortgage Bankers Association, the Independent Community Bankers of America, and U.S. Mortgage Insurers, expressing concern that the Enterprise initiative to upgrade the appraisal form (Uniform Residential Appraisal Report / URAR) and collect additional data fields, includes a number of changes that could result in a significant expansion of new and revised data requirements. To address these concerns, we requested that the GSEs and FHFA engage with the entire housing finance stakeholder community on this initiative so that all may benefit from the diversity of thought and input necessary to make meaningful improvements in the appraisal process. We also recommended: a) that the Enterprises and FHFA consider limited implementation or additional pilot-testing of the new form before it takes effect, a step that would allow for appropriate refinements prior to full execution; b) that FHFA consider releasing additional valuation data; and c) that FHFA issue a project plan with milestones that will allow all interested parties to track and engage in this work that will have ramifications for the entire industry.

On a separate but related note, FHFA issued a Request for Information (RFI) on December 28 regarding appraisal-related policies, practices, and processes of the GSEs. The HPC Appraisal Working Group is currently analyzing the RFI to identify areas for input. Comments are due to FHFA on February 26, 2021.

New Products Rule

HPC sent a comment letter to FHFA on the proposal for the GSEs to provide advance notice to FHFA of new activities and obtain prior approval before launching new products. Overall HPC was supportive of the proposed rule, which tracks closely with the original statute. However, HPC believes that the proposal could be improved in several respects, to make the process for reviewing and acting upon new activity and new product proposals more transparent. Specifically, HPC recommends that FHFA consider the following:

- Clarify the standard of review for new activities and explicitly mandate that the evaluation include consideration of the public interest;
- Provide that pilot programs be subject to definitive volume and time limits to ensure that there are no high-volume discounts or special treatment provided to favored stakeholders;
- Clarify that the FHFA request for public comment on a new product include consideration of the potential impact of the product on market participants, be they negative or positive, resulting in harmful or preferential treatment for participants in the mortgage finance system;

- Provide more explicit information to the public about both new activity notices and new product determinations;
- Strike a balance between disclosing information on new products and protecting confidential and proprietary information when an activity is at a nascent stage of development; and
- Provide the public with more time to provide comments on new products.

Comments on the proposed rule were due on January 8, 2021.

QM Regulation

On December 10, the CFPB released two final rules further defining what types of loans can be a "qualified mortgage" for purposes of the Bureau's Ability to Repay/Qualified Mortgage Rule. The General QM Rule removes the existing debt-to-income threshold over which a loan cannot be considered a General QM and replaces it with a rate threshold cap -- the very concept that HPC has been advocating that the Bureau adopt for years. The Seasoned QM Rule creates a new class of QM that allows certain qualifying seasoned loans to secure QM safe harbor status provided the consumer has a strong repayment history. Overall, HPC sees the release of both rules as an essential step to enabling competition and innovation, expanding participation in the mortgage marketplace by private capital providers, and reducing the systemic risk caused by GSE market domination and concentration. The General QM Rule was published in the Federal Register on December 29, with a March 1, 2021 effective date, which will permit lenders to adopt the new QM definition as of May 1, 2021. All institutions must adopt the new QM by July 1, 2021, the mandatory compliance date.

Member Spotlight

TRUIST

Truist increases philanthropic efforts, extends support to the Atlanta-area

Truist Financial announced it has invested $10 million in metro Atlanta in the last year, underlining its commitment to the area. A report showed Truist has provided $6 million in pandemic relief aid to Atlanta-area nonprofits, while also serving as a conduit for $1.36 billion in Paycheck Protection Program loans to small businesses. Truist also committed $2 million to the Atlanta Affordable Housing Fund, allowing the fund to offer low-interest loans to developers, helping offset rising land and construction costs. Rounding out its philanthropic efforts, Truist has been recognized for supporting Red Cross Disaster Relief through the Annual Disaster Giving Program (ADGP) with an annual grant of $1 million.

Housing Industry: Must-Read

More U.S. Homeowners Seek to Delay Mortgage Payments

A growing percentage of U.S. homeowners are looking to delay making mortgage payments, the latest sign that the economic recovery is hitting a snag. [Christopher Maloney, *Bloomberg*]

HPC in the News

- Mortgage groups condemn attack on Capitol - National Mortgage News
- HPC urges regulators to align nonbank servicer standards - HousingWire
- Fannie, Freddie Privatization Decisions Likely to Be Left to Biden Administration - The Wall Street Journal
- Why is Fannie Mae abandoning a practice that shields it from risk? - American Banker
- CFPB Completes Qualified Mortgage Rule Overhaul - Law360
- FHA Extends Foreclosure And Eviction Relief For Homeowners - Forbes
- Industry Trades Seek Clarification of CARES Act Forbearance Period - JD Supra
- Experts Say Homeowners Exiting Forbearance Will Need Outreach, Assistance - Mortgage News Daily

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.