MORTGAGE BANKERS ASSOCIATION

MBA's Affordable Housing Policy Agenda

A COVID-19 Addendum

Overview:

MBA's Affordable Housing Policy Agenda, released in late 2019, was created pre-pandemic when policy efforts were largely focused on how to improve the status quo – a situation where the affordable housing market was overpriced and undersupplied. Since the COVID-19 pandemic, however, affordable housing policy has largely focused on reducing the adverse impacts of the pandemic. In effect, the focus with respect to affordable housing has pivoted, for now, from aspiration to mitigation. This document outlines these current and on-going efforts, recognizing the evolving affordable housing challenges posed by COVID-19.

Responding to COVID-19

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which became law in late March 2020, included provisions that directly provided financial support to mitigate some of the adverse financial impacts people have suffered from the pandemic and, therefore, to also mitigate the impacts that lost income could have on the affordability of rental housing. This financial support includes direct checks to individuals, additional funding for Section 8 rental assistance, extended and increased unemployment coverage, and Payment Protection Program loans aimed at preserving jobs. As a complement to these efforts, MBA has:

- Led policy discussions and helped highlight the need for non-Section 8 rental assistance since the emergence of COVID-19,

- With MBA member involvement, encouraged policymakers to include direct rental assistance to help support renters and housing providers, both in the CARES Act and potential subsequent legislation. (For example, in April, May, June, July, August, and September MBA signed joint trade letters or sent MBA letters to members of Congress, the President, and leaders in the Administration, emphasizing how important it is to provide assistance to renters), and

- Supported legislative efforts to provide direct rental and mortgage payment assistance to consumers. One such approach would authorize new grant funding to housing finance agencies, which would enable homeowners to make mortgage payments and assist with housing-related expenses.

Helping Mortgage Borrowers

In response to the crisis, the broad and widespread forbearance policies dictated by the Federal Housing Finance Agency (FHFA) and the CARES Act increased the demand to get timely and accurate information out to consumers.

In response MBA:

- Proactively launched a consumer ad campaign and consumer resource web page to help explain forbearance and borrower assistance options,

- Urged the Consumer Financial Protection Bureau (CFPB) to develop consumer education materials – the resulting CFPB video and web pages have been linked to by many MBA servicers, and

- Worked with FHFA as well as Fannie Mae and Freddie Mac (the GSEs) to develop call scripting to provide a more uniform approach to servicer conversations with consumers about forbearance and the options available at the end of forbearance. The Federal Housing Administration (FHA), Department of Veterans Affairs (VA), U.S. Department of Agriculture (USDA), and Conference of State Bank Supervisors (CSBS) later released similar consumer-facing education materials.

<u>Leading Industry Efforts to Help Renters:</u>
For the millions of unemployed or underemployed renters facing evictions and mounting unpaid rent obligations after the various eviction moratoriums expire, MBA encouraged the expansion of emergency rental assistance to renters by:

- Working with industry coalition partners and joining dozens of industry letters and communications to policy makers,

- Launching multiple Calls to Action urging lawmakers to enact rental assistance, and

- Working with state policy makers to help advocate for the use of CARES Act resources for rental assistance.

<u>Helping Existing Homeowners</u>:
For the residential mortgage servicers implementing this forbearance, MBA has been at the lead of industry efforts to ensure liquidity support by:

- Submitting comments to the Federal Reserve and the Treasury Department urging them to begin work on the development of a liquidity facility dedicated to mortgage servicers, and leading a broad coalition of industry and affordable housing advocates to release a statement pressing policymakers to ensure sufficient liquidity for servicers,

- Extensively advocating for Ginnie Mae to implement its Pass-Through Assistance Program, which was made broadly available to issuers in mid-April, and

- Working with FHFA and the GSEs to shorten servicer advance requirements for loans in forbearance to a maximum of four months.

Preserving Access to Mortgage Credit:
MBA also advocated extensively on issues arising when a borrower requests forbearance shortly after closing and before delivery of a loan to the GSEs or the issuance of FHA insurance. Prior to this advocacy, strict policies against the purchase or insurance of these loans by the GSEs and FHA prompted risk-management responses by lenders in the form of overlays that reduce access to credit. Following this advocacy, FHFA announced it would direct the GSEs to purchase certain single-family loans in forbearance – a partial reversal of its previous policy. Similarly, FHA began granting insurance on these loans, but only upon securing lender indemnification.

MBA continues to advocate:

- Against exclusions of certain loan types or punitive pricing or policies associated with these loans, and

- For clear borrower eligibility for new loans following forbearance due to COVID-19 hardship.

Later, the GSEs and the VA released guidance providing additional flexibility regarding borrower eligibility for new loans following forbearance. These adjustments align with MBA's recommendations in that they do not hinder borrower access to credit solely due to COVID-19-related forbearance that has since been resolved. MBA continues to work toward achieving similar clarity for FHA loans.

Furthermore, MBA:

- Helped secure policies responding to a range of origination challenges brought about by the pandemic in relation to activities made more difficult due to business and government office closings, as well as limited person-to-person contact, and

- Worked closely with the GSEs, the banking agencies, and the federal housing agencies as they instituted flexibilities with respect to appraisals, verification of employment, Remote Online Notarization, and power of attorney, among other issues.

Additionally, in August, the GSEs announced their intention to place a 50-basis-point "adverse market refinance fee" on nearly all refinances that they purchased. This policy would have increased costs for consumers while also generating significant losses on locked pipelines given the near-immediate effective date. MBA led a forceful advocacy campaign that culminated in a delayed implementation of this fee and a narrowed scope that would exempt borrowers in the

GSEs' HomeReady and Home Possible programs as well as borrowers with balances below $125,000. These changes will limit the impact of the fee on those borrowers least able to afford it.

Looking Ahead:

As key CARES Act supports for renters and homeowners expire, MBA continues to work with members of Congress and the Administration to secure passage of rental assistance and other financial assistance that can provide families that have lost income as a result of the pandemic with the means to remain in their homes. By reducing the pandemic's adverse impacts on housing affordability, such public policies can lay the foundation for the success of future aspirational efforts to again aim at increasing housing affordability post-pandemic.