



Protecting Borrowers in the COVID Environment

FHFA and CFPB Public Listening Session

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BACKGROUND | Impacts of COVID-19 Pandemic

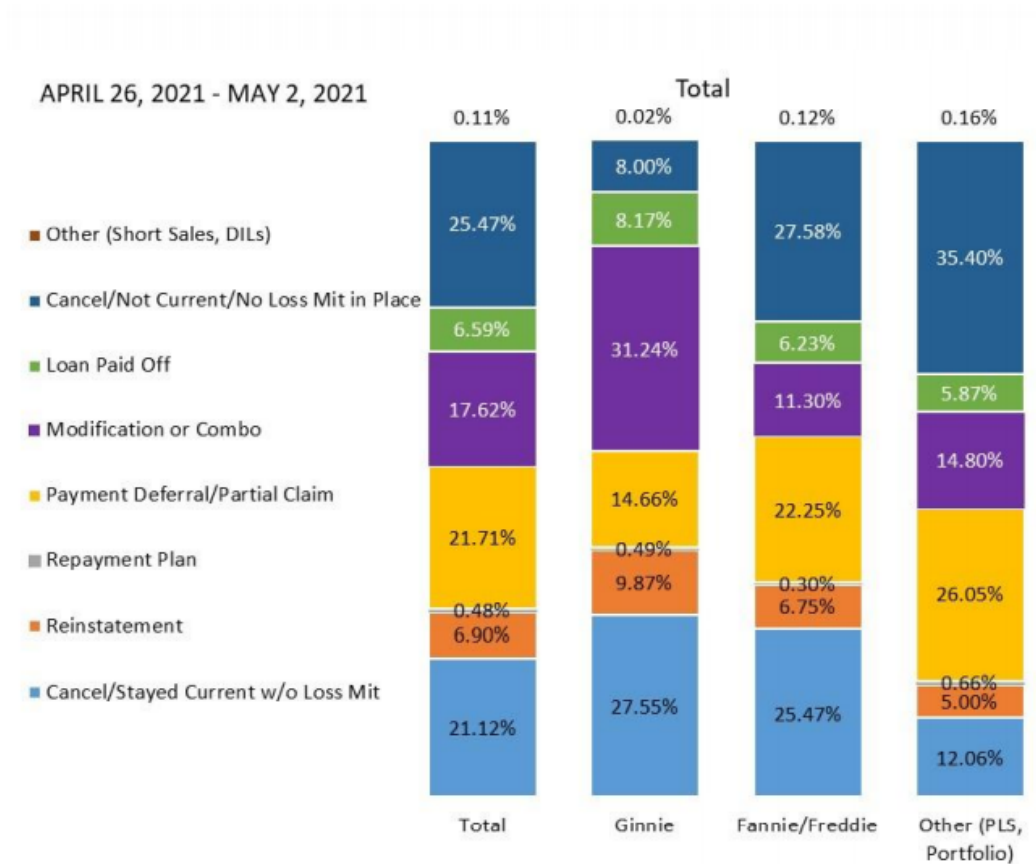
- Economic and health impacts of COVID-19 have disproportionately affected households of color.
- CFPB's recent release of NMDB data demonstrates that delinquencies and forbearances are most common among Black and Hispanic borrowers and in majority-minority and lower-income census tracts.^[1]
- 2.3 million households are on forbearance, 1.1 million of which are seriously delinquent. 560,000 borrowers are delinquent but have not entered forbearance or loss mitigation. 160,000 have already exited forbearance, are delinquent, and are not negotiating loss mitigation.^[2]
- Private loans (portfolio and PLS) are particularly vulnerable.

[1] CFPB, "Characteristics of Mortgage Borrowers During the COVID-19 Pandemic"

[2] Black Knight, "March 2021 Mortgage Monitor"

BACKGROUND | Forbearance Exits

- 14.8% of all borrowers who have exited forbearance have done so while delinquent and without loss mitigation in place.^[1]
- Last week, the share was 25.4%. Those exiting forbearance later will be even more likely to need assistance.
- Given 18-month forbearance terms, we can expect monthly forbearance exits to peak at 500,000 in September.^[2]



[1] MBA, "Weekly Forbearance and Call Volume Survey, as of 5/2/21"

[2] Black Knight, "March 2021 Mortgage Monitor"

FHFA | Policies to Prevent Foreclosures

- Instruct servicers to describe all options available to borrowers before requiring them to select one
- Include escrow shortages in payment deferrals and Flex modifications.
- Enable borrowers with LTVs below 80 percent to access interest rate reductions in Flex Mods.
- Eliminate required Trial Period Plans for Flex Mods.
- Provide broad access to streamlined modifications (change PSPAs if needed).

FHFA | Policies to Promote Access to Homeownership

- For homes that change hands, prioritize purchases by owner-occupants over investors.
- Eliminate the Adverse Market Refinance Fee.
- Allow delivery of loans that have entered forbearance (without penalty).
- Allow borrowers to access new mortgages after forbearance without requirement of three post-forbearance payments.
- Reassess 7-year borrower lockout after foreclosure.
- Create a true streamlined refinance program for lower-balance mortgages.

CFPB | Policies to Prevent Foreclosures

- Streamlined loss mitigation options will be critical for getting through this crisis.
- Develop standardized talking points, scripts, glossaries and templates to help servicers communicate with borrowers.
- Supervision and enforcement of mortgage servicers should include a special emphasis on servicer readiness to assist the volume of borrowers exiting forbearance.
- Reconsider proposed pre-foreclosure review period:
 - Instead use a 120-day grace period for loans coming out of forbearance.
 - If CFPB adopts its proposal, it needs to create off ramps that drive effective loss mitigation; we suggest requiring servicers to send streamlined payment reduction modification offers or solicitations
 - Also create off ramp for vacant or abandoned properties