Federal Housing Finance Agency
Office of the Director

August 20, 2020

Asian Real Estate Association of America
Atlanta Neighborhood Development Partnership
Center for Responsible Lending
Center for Community Progress
Community Home Lenders Association
Consumer Federation of America
Consumer Action
Enterprise Community Partners
Habitat for Humanity International
Housing Partnership Network
The Leadership Conference for Civil and Human Rights
Local Initiatives Support Corporation (LISC)
Manufactured Housing Institute
Mortgage Bankers Association
NAACP
National Association of Affordable Housing Lenders
National Association of Hispanic Real Estate Professionals
National Association of Home Builders
National Association of Local Housing Finance Agencies
National Association of Real Estate Brokers
National Association of REALTORS®
National Community Reinvestment Coalition
National Community Stabilization Trust
National Consumer Law Center (on behalf of its low-income clients) National Council of State Housing Agencies
National Fair Housing Alliance
National Housing Conference
National Housing Resource Center
National League of Cities
National NeighborWorks® Association
National Urban League
Prosperity Now
SKA Marin
UnidosUS
US PIRG
Whalen Global Advisors LLC

Dear Stakeholders:

Thank you for your letter dated June 24, 2020, regarding the treatment of mortgages that have closed but entered forbearance prior to being sold to Fannie Mae or Freddie Mac (the Enterprises).

Throughout the COVID-19 national emergency, the Federal Housing Finance Agency (FHFA) has remained in close communication with consumer groups, industry stakeholders, government counterparts, and the Enterprises. The Agency is carefully monitoring data developed internally and by other organizations to understand and address in real-time the evolving challenges facing borrowers, renters, and market participants. This close communication has allowed FHFA, in collaboration with other government entities, to update its policies and the policies of the Enterprises in response to the changing conditions in our nation's housing finance markets.

400 7th Street, S.W., Washington, D.C. 20219 | (202) 649-3801 | (202) 649-1071 (fax)

For example, on April 22, 2020, FHFA approved a temporary policy allowing for the purchase of certain single-family mortgages that enter forbearance after origination but before delivery to the Enterprises. On July 31, 2020, FHFA extended this temporary policy to apply to loans originated through August 31, 2020. Historically, mortgage loans either in forbearance or delinquency have been ineligible for delivery to the Enterprises. This policy lifts that restriction for a limited period of time and only for mortgages meeting certain eligibility criteria. Eligible loans will be priced to mitigate their heightened risk of loss and to fulfill the Enterprises' charter requirements to purchase only those loans that meet the standards of private, institutional mortgage investors.

Allowing these previously ineligible loans to be delivered to the Enterprises gives an unprecedented new tool to originators, enabling them to continue lending and thus supporting liquidity in our nation's mortgage markets at this critical time. This is consistent with the Enterprises' countercyclical mission. At the same time, lenders have a responsibility to ensure that borrowers can make their monthly mortgage payment in light of what they now know about the recent and ongoing impact of COVID-19 on the economy and mortgage market. As we saw in the financial crisis of 2008, enabling borrowers to buy homes beyond their means, especially immediately before or during a downturn, disproportionately harms low-income families.

To help ensure that borrowers qualify for mortgages they can afford, FHFA will share with the Consumer Financial Protection Bureau (CFPB) aggregated data on loans that enter forbearance before delivery to the Enterprises. The data sharing will allow FHFA to fulfill its obligation under the so-called "QM Patch" to ensure that loans sold to the Enterprises are complying with the intent of Dodd-Frank's ability to repay provisions. These efforts work in concert with the aggregated data on the Enterprises' mortgages that the Agency already shares with CFPB through the Borrower Protection Program (BPP). BPP was launched on April 15, 2020 as a new joint initiative that enables FHFA and CFPB to share information to protect borrowers and consumers during the COVID-19 national emergency.

Again, thank you for sharing your perspective and insights. It is critical for FHFA to receive input from a range of stakeholders, especially at a time of unprecedented disruption and uncertainty. FHFA and the Enterprises will continue to monitor data as well as new and evolving challenges facing borrowers, renters, lenders, servicers, and investors as a result of the COVID-19 national emergency, and we will update our policies accordingly.

Sincerely,

Mark A. Calabria