

Kristy Fercho Statement before the House Subcommittee on Housing, Community Development, and Insurance for “Bipartisan Virtual Roundtable on Impact of COVID-19 on Housing Markets” on behalf of the Mortgage Bankers Association

May 22, 2020

Good afternoon Chairman Clay, Ranking Member Stivers, and members of the Committee, thank you for the opportunity to testify on behalf of the Mortgage Bankers Association.

In addition to being MBA’s Vice Chairman, I lead Flagstar Bank’s mortgage division, a position I accepted after 15 years at Fannie Mae.

Flagstar touches all aspects of the mortgage market – portfolio lender, buyer and seller of loans to the GSEs and Ginnie Mae issuer, servicer, and warehouse lender supporting independent mortgage bankers.

From that position, I can speak to many of the policy proposals Committee members are considering that impact housing as Congress continues to respond to the economic and health impact of the coronavirus pandemic.

Let me begin by noting that mortgage servicers have played an integral role in providing an unprecedented amount of payment relief to our customers, as appropriately mandated by the CARES Act, all while managing real time, high-touch operations remotely, just like every other impacted industry. In fact, MBA members have pivoted quickly to digital processes and interactions to ensure American households can enjoy access to the mortgage market during a time of social distancing.

Since the beginning of March, MBA's members have provided mortgage forbearance to more than 4 million customers. Loans in forbearance grew from a quarter of one percent of loans serviced to more than 8 percent. In just 6 weeks, mortgage servicers have been able to cut average call wait times from 13 minutes to 2 minutes and abandonment rates from a high of 21 percent to 5 percent. These numbers are emblematic of our industry's efforts to adjust to the "new normal" at an extremely quick pace, ensuring our customers are well served despite the unfortunate circumstances.

Servicing

As lawmakers continue to consider policies that impact borrowers and creditors alike, it is important these procedures provide servicers the operational flexibility necessary to address their customers' unique financial experiences. Every disaster or emergency requires a unique response. Preserving servicer, investor and guarantor flexibility to develop solutions in real time ensures that residential, rental property, and commercial borrowers receive the most appropriate outcomes available to them.

Rental and Mortgage Assistance

MBA applauds congressional efforts thus far to ensure that homeowners and renters receive financial assistance to meet their obligations. Past relief efforts – including an expansion of Unemployment Insurance benefits and direct payments to families – have eased the initial financial strain amongst households and businesses. Despite the overwhelming job losses, the available data indicates that multifamily tenants have largely been able to continue to pay their rents. Unquestionably, your initial efforts to place money into the hands of renters and homeowners have made a difference. However, much of this direct financial assistance expires in July.

Considering the historic disruption to the job market combined with a longer recovery period than initially hoped, MBA would urge the Congress to continue to examine proposals to provide other forms of direct housing assistance, as contemplated within the HEROES Act.

Access to Credit

Finally, as Congress looks toward further recovery efforts, we must ensure that all Americans, especially LMI communities, communities of color, and first-time homebuyers have fair access to mortgage credit. Accordingly, we applaud Rep. Juan Vargas' introduction of H.R. 6794, the *Promoting Access to Credit for Homebuyers Act*. This bill would ensure that all loans that meet current FHA and GSE standards can be sold to the GSEs or insured by FHA without punitive pricing adjustments, even if the borrower seeks forbearance due to COVID-related financial hardship soon after closing. This type of tailored legislation will ensure our direct and government-sponsored housing programs fulfill their counter-cyclical roles, promoting certainty and access for communities that could benefit most from flexible loan options during this time of stress.

Conclusion

I appreciate the opportunity to participate in this roundtable and want to reiterate the real estate finance industry's commitment to working with this Committee on all elements of housing finance policy in the wake of this extraordinary public health and safety crisis. I look forward to answering any questions you may have.