

# ADDRESSING HOMEOWNER NEEDS POST-FORBEARANCE

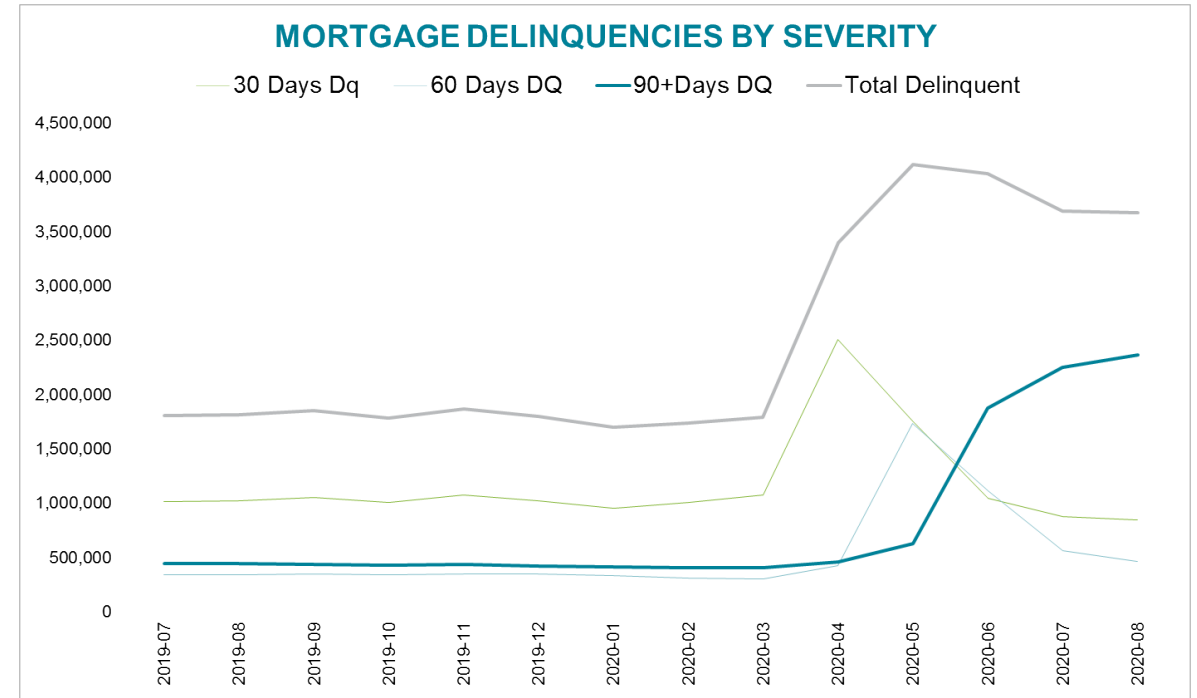
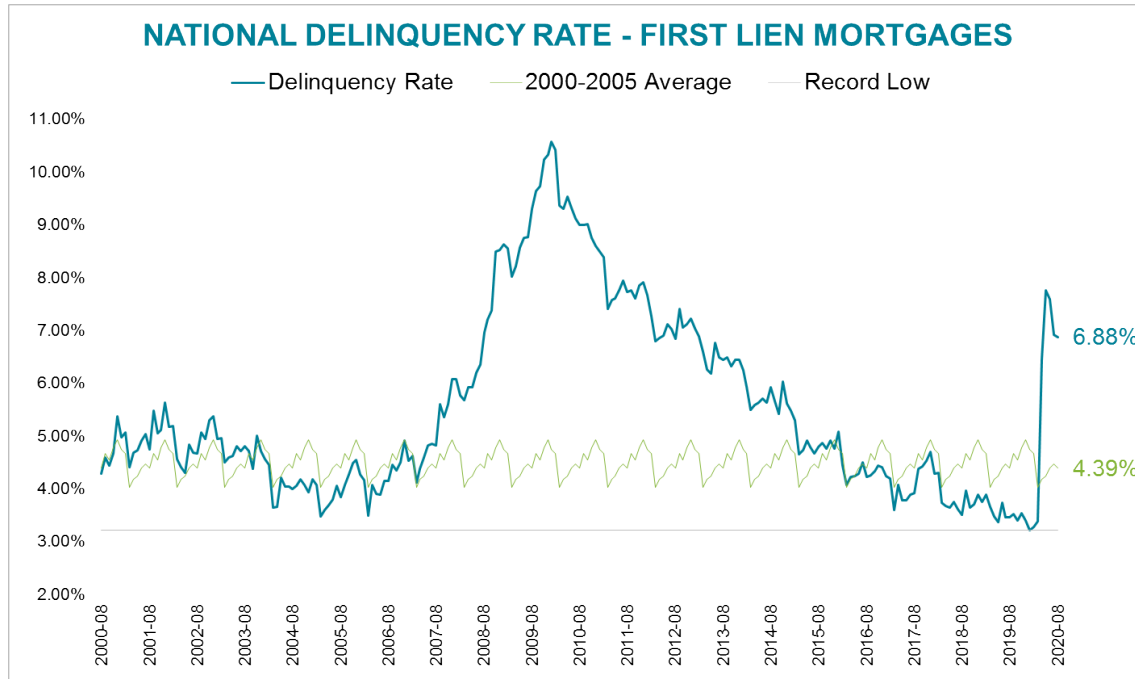
NCSHA'S VIRTUAL ANNUAL CONFERENCE AND SHOWCASE

**Andy Walden – Director of Market Research**

**Black Knight, Inc.**



# Early stage DQs have fallen back to pre-pandemic levels while serious DQs continue to edge upward; Performance improvement slowed in August



impacts of COVID-19 on mortgage performance have varied by region; Miami/Las Vegas most heavily impacted, San Jose least impacted

### CHANGE IN DELINQUENCY RATE

(FEBRUARY 2020 THROUGH AUGUST 2020)

10 MARKETS WITH LARGEST DQ RATE INCREASES		
Rank	Geography (CBSA)	Change Since Feb 2020
1	Miami, FL	+7.6%
2	Las Vegas, NV	+7.1%
3	Orlando, FL	+6.1%
4	New Orleans, LA	+5.7%
5	New York-Newark, NY-NJ	+5.3%
6	Houston, TX	+5.1%
7	Atlanta, GA	+4.9%
8	Tampa, FL	+4.6%
9	San Antonio, TX	+4.4%
10	Dallas, TX	+4.3%

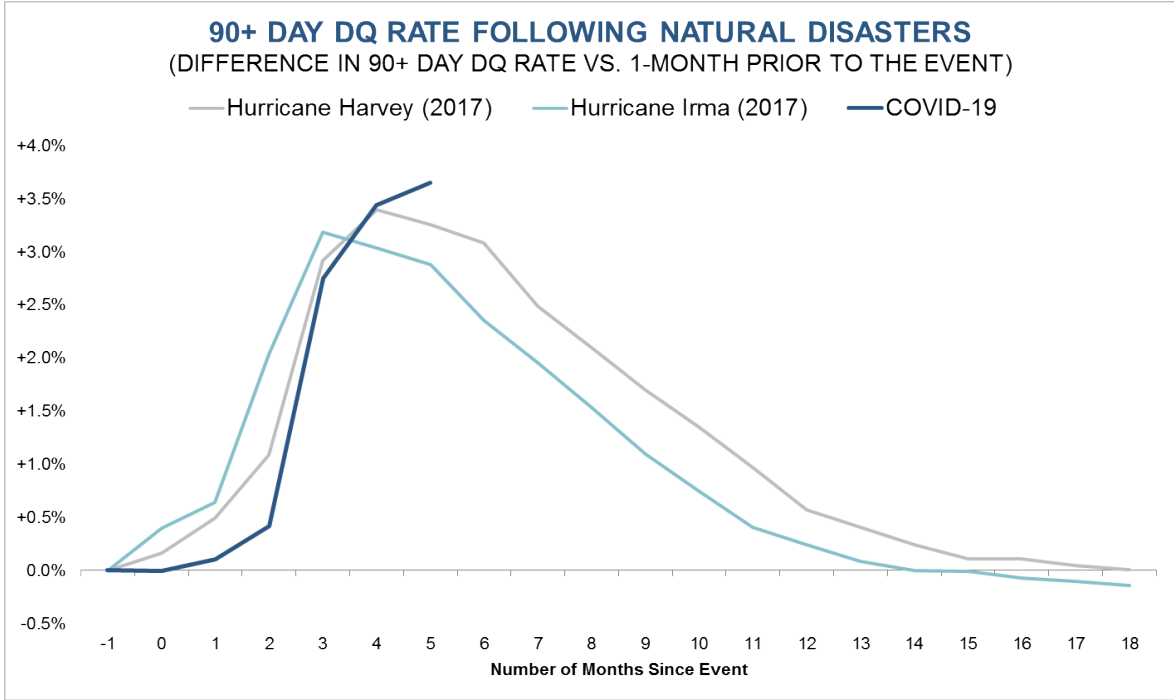
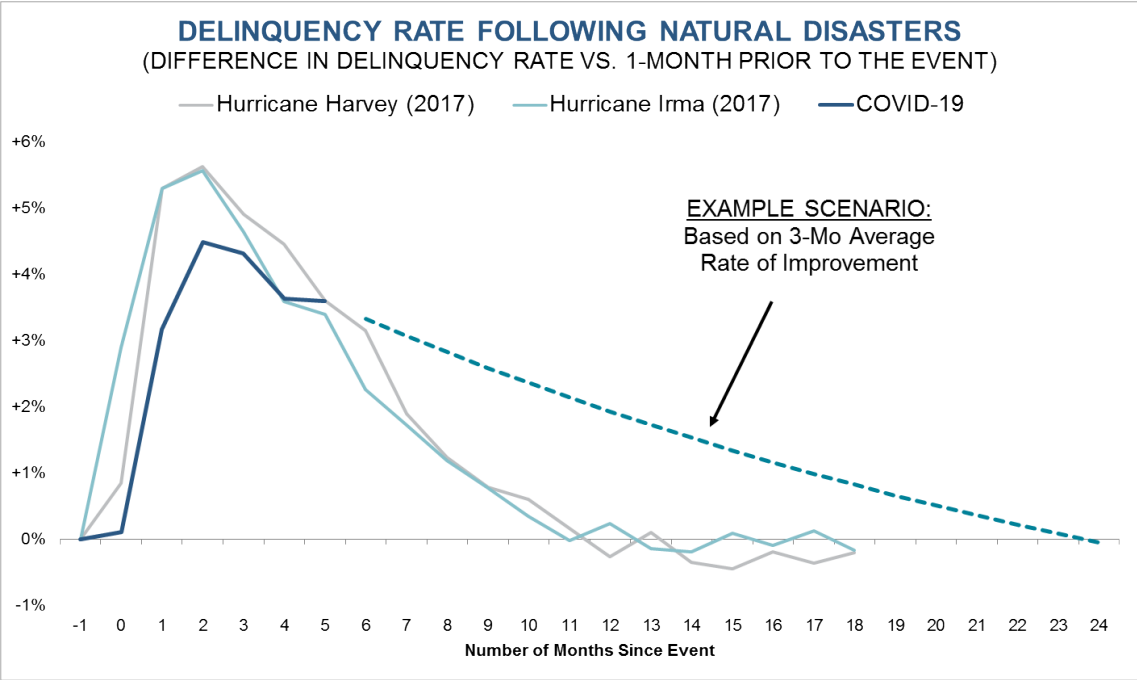
10 MARKETS WITH SMALLEST DQ RATE INCREASES		
Rank	Geography (CBSA)	Change Since Feb 2020
41	Indianapolis, IN	+2.6%
42	Birmingham, AL	+2.6%
43	San Francisco, CA	+2.6%
44	Louisville, KY	+2.6%
45	Cincinnati, OH	+2.5%
46	Richmond, VA	+2.5%
47	Pittsburgh, PA	+2.5%
48	Milwaukee, WI	+2.4%
49	St. Louis, MO-IL	+2.3%
50	San Jose, CA	+2.1%

BLUE = ABOVE NATIONAL AVERAGE

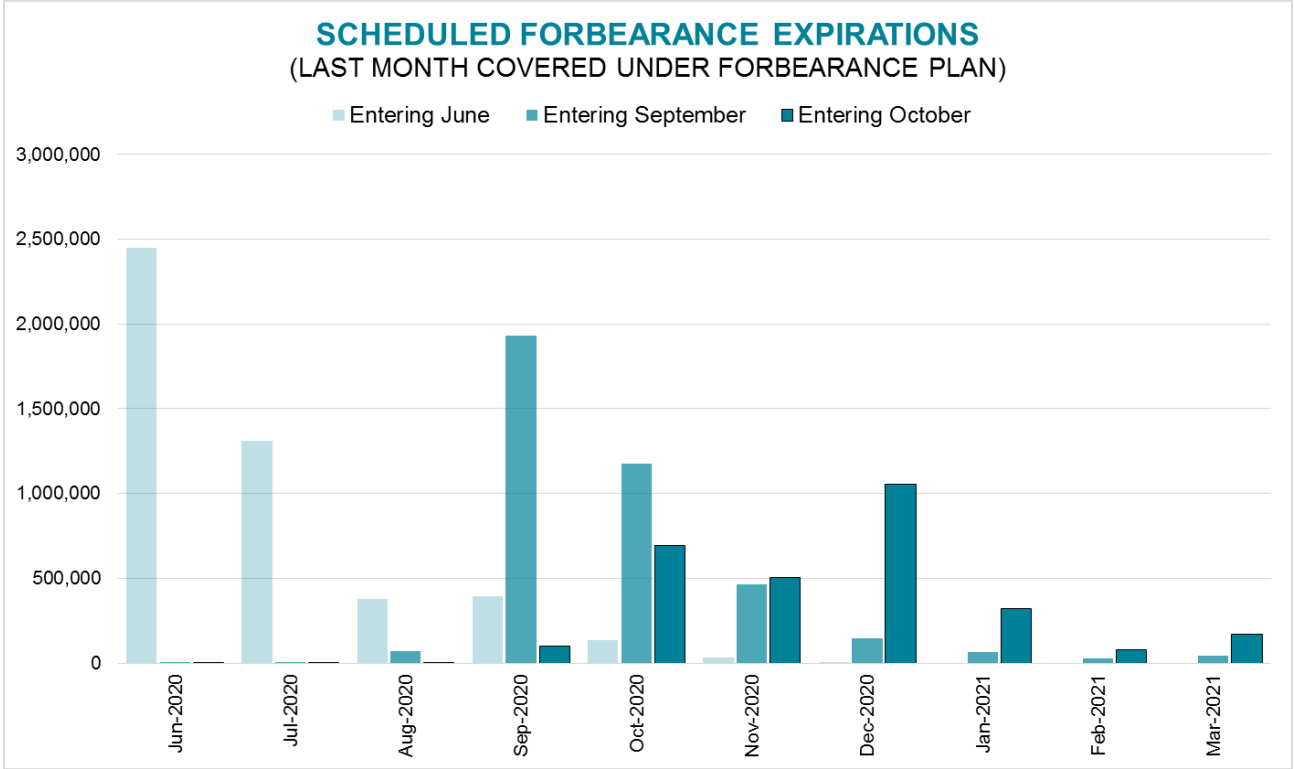
GREEN = BELOW NATIONAL AVERAGE



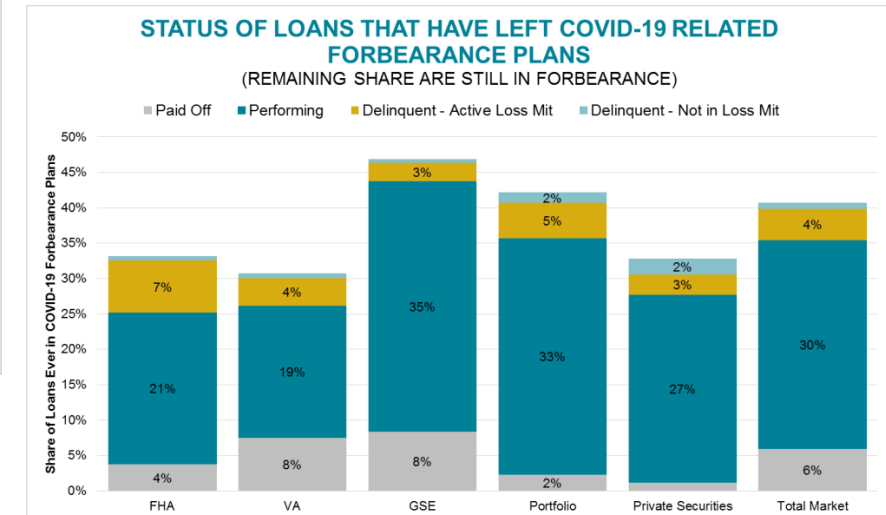
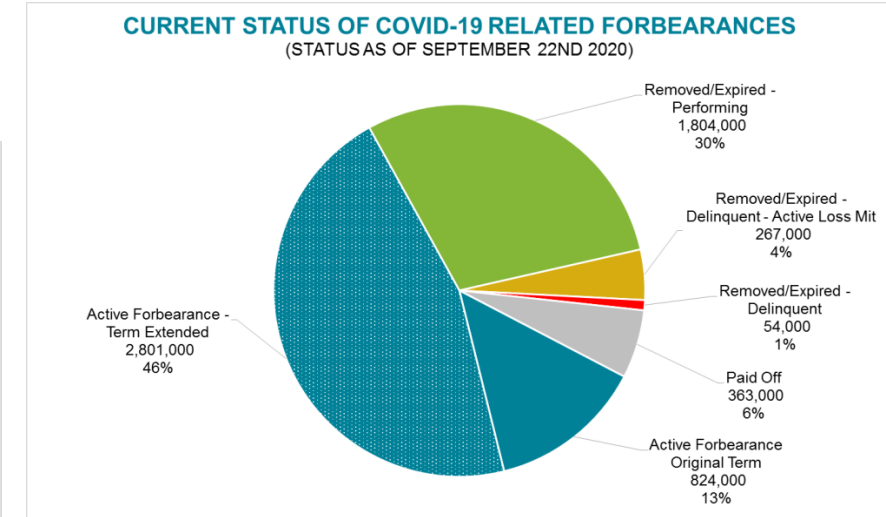
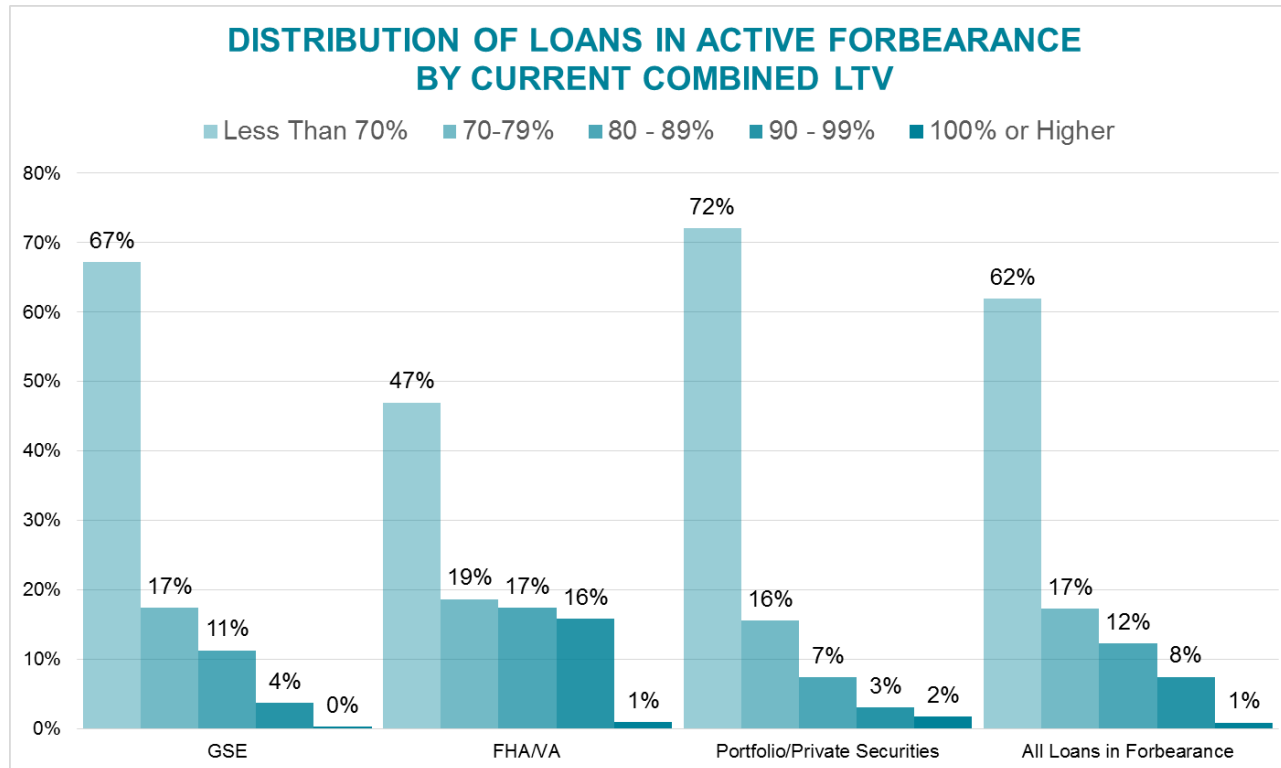
# Current rate of improvement would result in mortgage delinquency rate remaining elevated through early 2022



Forbearance plans;  
Sharp decline seen in early October as first wave of FBs reach 6-mo mark



Improvement rates and risk factors vary greatly across investor classes; Strong equity among those in FB could help mitigate losses





# Questions

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# Addressing Homeowner Needs Post-Forbearance

## Perspective from a Master Servicer, Lakeview Loan Servicing, LLC

### Our role as a Master Servicer

- Set proper expectations with your servicers and staff
- Increase quality control
- Borrower led necessity

### Focus and Strategy

- Educate
- Promote local assistance
- Simplify

### The right “fit”

- Ask the right questions to get the right answers
- Waterfall of options



ANNUAL  
CONFERENCE  
& SHOWCASE  
**OCTOBER 27 - 29** **VIRTUAL**  
**2020**

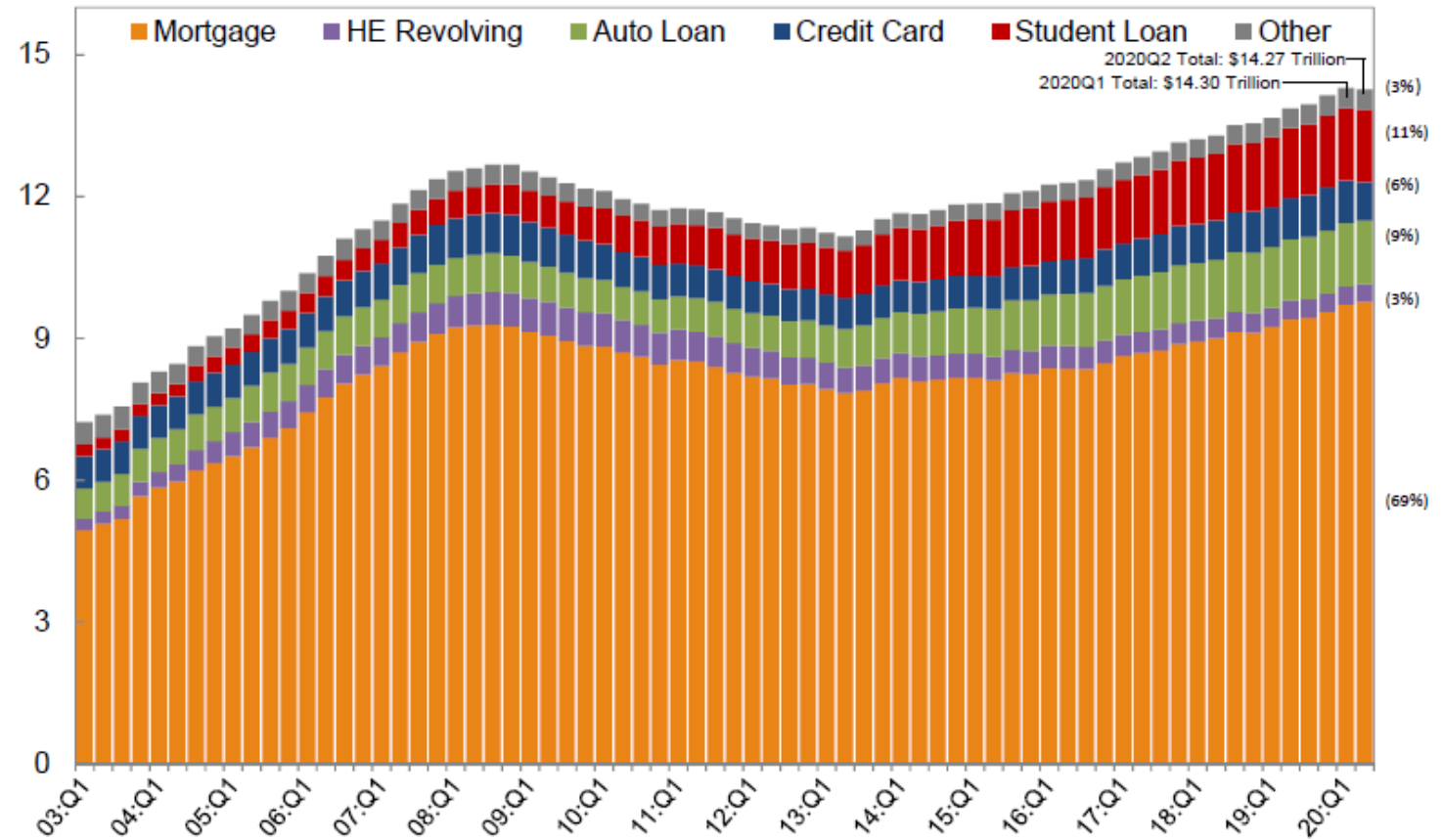
**Addressing Homeowner  
Needs Post-Forbearance:**  
**Applying Lessons from HHF to COVID**  
**-19 Era Programs**

# A Case for Mortgage Assistance

- Immense scale of mortgage debt
- Issues with loss mitigation during the recession
  - Extensive documentation required
  - Long turnaround times
  - Income contingent
  - Results in higher UPB
- Significant impact of foreclosures
  - Property disinvestment/repairs
  - Neighborhood values
  - Burden on unfits of local government
- Homeowner's assets/credit impacted
- Liquidity for mortgage servicers

## Total Debt Balance and its Composition

Trillions of Dollars



Source: New York Fed Consumer Credit Panel/Equifax

# Hardest Hit Fund

## HHF Overview

- \$9.6B allocated to 18 States and District of Columbia starting in 2010
- Most funds exhausted

## HHF Lessons Learned

- The largest share of HHF funds (55%) distributed was for reinstatement and monthly mortgage assistance
  - Limited buy in needed from servicers/investors
    - Interactions with servicers must be streamlined and uniform
  - Eliminating borrower's mortgage payment after financial hardship improves long-term mortgage performance
    - Receiving HHF reduced the probability of default for distressed borrowers by 28% after 24 months\*
    - Reduces and does not add to unpaid balance
  - Can be expensive for high cost and judicial foreclosure states
- Modification/recast/refinance are challenging to execute
  - Approval ratio is low
  - Requires extensive review and evaluation
  - Expensive

\* Does Temporary Mortgage Assistance for Unemployed Homeowners Reduce Longer Term Mortgage Default?  
An Analysis of the Hardest Hit Fund Program by Stephanie Moulton, Yung Chun, Stephanie Casey Pierce,  
Holly Holtzen, Roberto Quercia and Sarah Riley

# IHDA's New Emergency Mortgage Assistance Program

## Process/Software

- Mobile enabled platform/electronic signatures
  - One and done application process
- Minimalist approach
- Self certifications
- Grant vs. loan
- Call center over email exchanges
- Virtual training strategies and software

## Eligibility and Documentation

- Removed DTI test and year-over-year loss of income calculation
  - Eliminates need for current income/expenses
- Documents limited to mortgage statement, tax returns, ID and utility bill (if proof of residency needed)
  - No hardship support/assets
- Rely on servicers to verify mortgage data

## Servicer Interaction

- Simple onboarding process/requirements
  - 2-page agreement
- Limited record exchange
- Electronic TPAs
- Package loans for single delivery

## Marketing

- Earned media
- Legitimize product
  - Power in numbers
- Servicer and housing agency outreach