National Council of State Housing Agencies

The Honorable Alanna McCargo
President
Ginnie Mae
451 Seventh Street, Room B-133
Washington, DC 20410

April 28, 2022

Dear Ms. McCargo,

On behalf of its state Housing Finance Agency (HFA) members, the National Council of State Housing Agencies (NCSHA)[1] urges you to extend the expiration date of All Participant Memorandum (APM) 21-04, which is currently set to expire on July 31, 2022, until at least six months past the end date of an allowable Federal Housing Administration (FHA) COVID-19 National Emergency forbearance period.

Under APM 21-04, Ginnie Mae announced that it would continue to exclude any delinquencies occurring on or after April 2020 for the purposes of enforcing the provisions in Chapter 18, Part 3, Sections C and D of its Mortgage-Backed Security (MBS) Guide, and that Ginnie Mae would provide this exclusion automatically through July 31, 2022 to Issuers that were compliant with Ginnie Mae's delinquency rate thresholds as demonstrated by their April 2020 investor accounting report, reflecting March 2020 servicing data. This exclusion was first put in place by APM 20-06, extended in APM 20-17, and re-extended by APM 21-01.

The above-referenced Ginnie Mae MBS Guide provisions specify the delinquency ratios on outstanding pools and loan packages below which an issuer must remain to avoid sanction. For issuers with more than 1,000 loans, the maximum DQ2+ Delinquency Ratio – the number of loans in an issuer's Ginnie Mae portfolio that are either in the foreclosure process or are two months or more months delinquent divided by the total number of loans remaining in the portfolio -- is 7.5 percent. The maximum DQ3+ Delinquency Ratio, which reflects loans either in the foreclosure process or three months or more delinquent divided by the total number of loans remaining in the portfolio, is 5 percent.

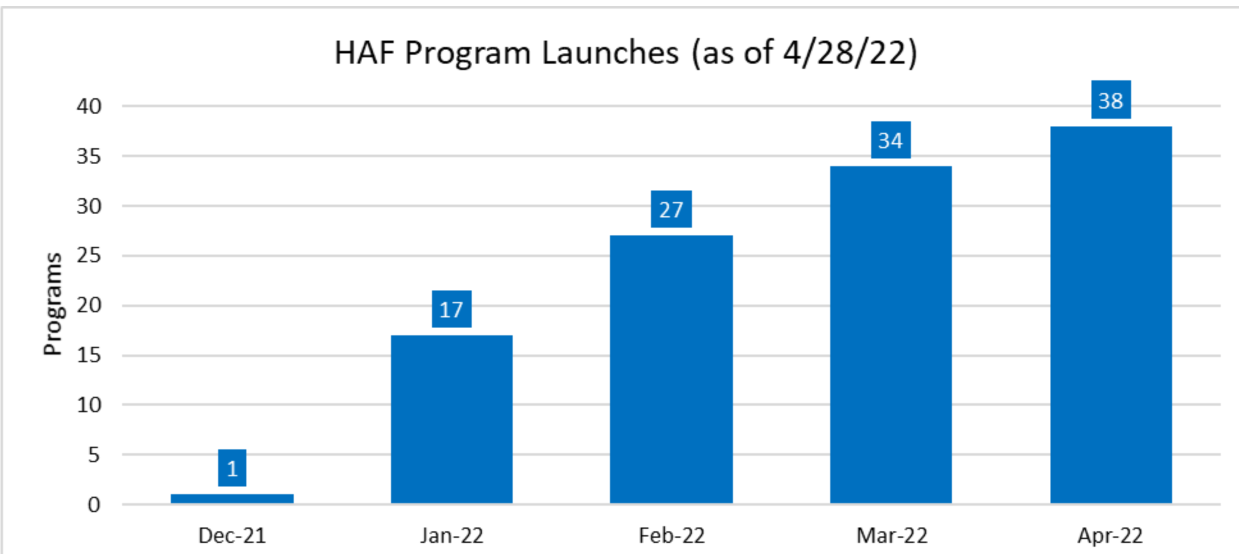
Historically, HFAs have ably managed to these standards, even during market downturns. NCSHA and its members have appreciated your putting in place and extending the delinquency ratio flexibilities in recognition of the fact the COVID National Emergency has placed extraordinary burdens upon Ginnie Mae issuers, particularly those who use FHA mortgage loans to serve lower income, first-time homebuyers.

[1] NCSHA is a nonprofit, nonpartisan organization. None of NCSHA's activities related to federal legislation or regulation are funded by organizations that are prohibited by law from engaging in lobbying or related activities.

444 North Capitol Street NW, Suite 438 | Washington, DC 20001 | 202-624-7710 | info@ncsha.org | ncsha.org

However, additional time for the exclusions is still needed. First, FHA homeowners are still able to be in a COVID-19 forbearance, and those loans drive up delinquency ratios. HUD Mortgagee Letter (ML) 2021-24 specified that "No COVID-19 Forbearance period may extend beyond *six months after the end of the COVID-19 National Emergency or September 30, 2022, whichever is later*." (Text highlighted as shown in ML 2021-24.) FHA's COVID-19 policies were put in place to mitigate the financial impacts of the COVID-19 pandemic to its mortgagees and borrowers while managing risk to the Mutual Mortgage Insurance Fund. With this policy, FHA is providing homeowners with an extended ability to seek a COVID-19 forbearance. We urge Ginnie Mae to recognize that this FHA policy continues to impact its issuers by further extending its delinquency ratio exclusion.

Secondly, one of the most powerful tools to help homeowners retain their homes if they have been negatively financially impacted by COVID-19 is the Homeowner Assistance Fund (HAF), which has yet to be fully implemented and its funds exhausted. While 38 state programs have launched statewide and are serving homeowners, others have yet to open. The first program opened in December, and as the below graph illustrates, states have been launching their programs since then.



HAF assistance is being used by most states to reinstate a homeowner's delinquency; however, for homeowners who cannot continue to make their payment amount, their loans will need to be modified, which likely will not be done until their forbearance period ends. That FHA considers HAF programs to be important to helping FHA borrowers is evident from its requirement in Mortgagee Letter 2021-18, that "The Mortgagee must inform the Borrower, utilizing any available method of communication, that they can apply for the Department of Treasury's Homeowner Assistance Fund (HAF), if HAF is available in their jurisdiction" and issuance of 16 FAQs devoted to HAF on February 4, 2022. Hence, we urge Ginnie Mae to give homeowners more time to access their state's HAF program. By extending its delinquency ratio exclusions until at least six months past the end date of an allowable FHA COVID-19 National Emergency forbearance period, Ginnie Mae will be providing homeowners who sought forbearance toward the end of the allowable period to access HAF programs to save their homes.

Another reason to extend the APM is the length of time it may take servicers, once the forbearance period has ended, to process loans through foreclosure should loss mitigation efforts not be workable. Additionally, because prior to December 31, 2021, foreclosures were generally not being processed because of the Consumer Financial Protection Bureau (CFPB) moratorium, and foreclosures take time to complete, particularly in judicial states, the levels of loans that will likely be foreclosed upon are unusually elevated, thus artificially inflating DQ2+ and DQ3+ ratios.

FHA loan originations have played an increasingly important role in state HFA programs. In 2020, 62 percent of HFA program loans were insured by FHA, an increase of 15 percent over 2019. An additional 7 percent were insured by the U.S. Department of Agriculture and 2 percent were insured by the U.S. Department of Veterans Affairs. That state HFAs serve the lower income segment of their states' markets is apparent by the fact that in 2020, the average mortgage amount across state HFA programs was $166,749, and the average purchase price of a home was $187,841, both significantly below national averages. Eighty-five percent of state HFA program loans were originated to first-time homebuyers, and 26 percent went to homebuyers of color – the segment of homeowners who have been disproportionately impacted by COVID-19.

Should larger state HFA Ginnie Mae issuers not receive an extension for meeting the DQ2+ and DQ3+ ratios, they would be forced to use their capital to buy-out qualifying loans to bring their ratios in line with Ginnie Mae's requirements. One Issuer, located in a judicial foreclosure state where the HAF program has not yet launched, anticipates that it would need to buy-out over $300 million in loans should the delinquency ratio extension not be granted. During a time of unprecedented affordability and housing supply challenges, it makes much more sense for state HFAs to use their capital to help meet their state's affordable housing needs instead of paying the Federal Government to do bulk buy-outs of mortgages when the federal programs put in place to help COVID-impacted homeowners are either still in place (i.e., FHA COVID forbearance policies) or not yet fully launched (in the case of HAF).

Therefore, NCSHA urges Ginnie Mae to re-extend the expiration date first announced in APM 20-06 until at least six months past the date of the expiration of an FHA COVID-19 forbearance to permit homeowners whose loans have been pooled into a Ginnie Mae security to have ample time to access the HAF benefits in their state.

Sincerely,

Garth Rieman