

THE HFA INSTITUTE 2024

Managing Portfolio Risk



National Council of
State Housing Agencies



**MRBs and
Other Federal
Homeownership
Programs**
JANUARY 10 – 12



Housing Credit
JANUARY 9 – 11



**Section 8 and
Other Federal
Multifamily
Programs**
JANUARY 10 – 12



**HOME and
Housing Trust
Fund**
JANUARY 7 – 9



DISCUSSION LEADER

Rosemarie Sabatino

Senior Homeownership Policy Specialist | National Council of State Housing Agencies

SPEAKERS

Chad Payeur

Resilience Doctrine and Strategy Division Director, Office of Resilience Strategy | Federal Emergency Management Agency

Erik Rubinyi

Financial Analyst, Office of Mortgage Markets | Consumer Financial Protection Bureau

Donna Schmidt

Managing Director | DLS Servicing Consultants, LLC

Donna Spencer

Vice President, Servicing Relationship and Performance Management | Freddie Mac

Chad Payeur

Resilience Doctrine and Strategy Division Director

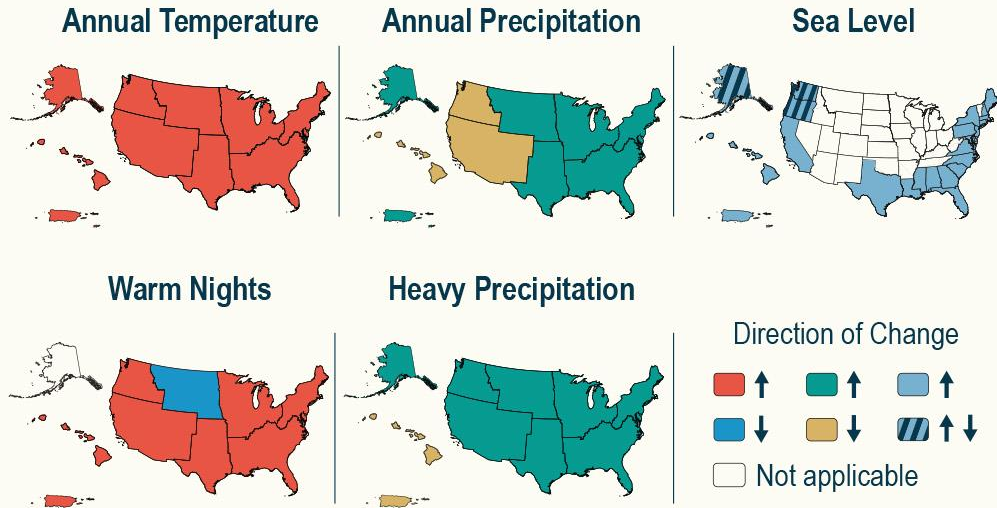
January 12, 2024



FEMA

Climate Change Risks and Opportunities in the US

Climate change is happening now in all regions of the US



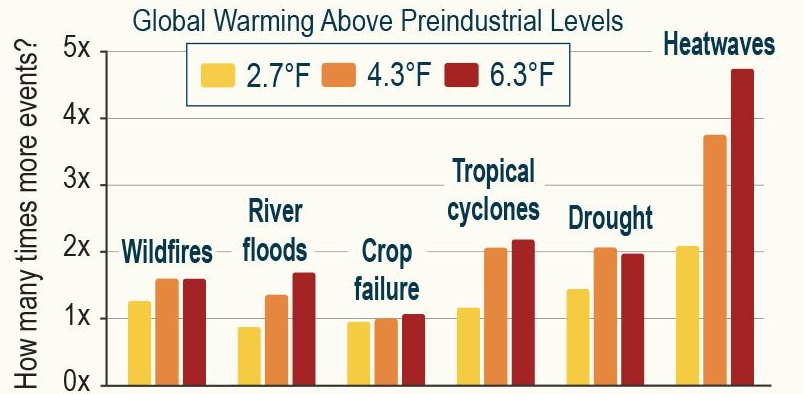
Each additional increment of warming leads to greater risks

- Water supply
- Food security
- Infrastructure
- Health and well-being
- Ecosystems
- Economy
- Livelihoods and heritage



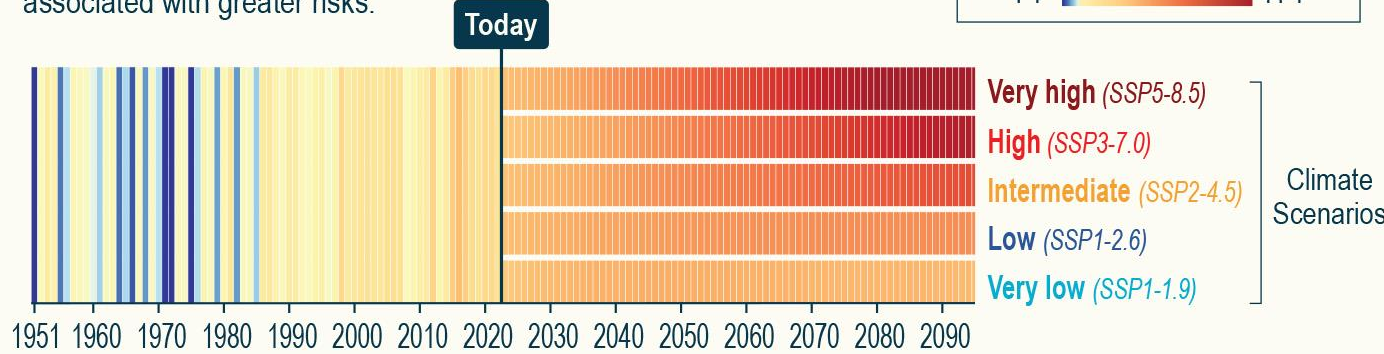
Without deeper cuts in global net emissions, climate risks to the US will continue to grow

▶ A person born in North America in 2020 will experience more climate hazards during their lifetime, on average, than a person born in 1965.



How much more the US warms depends on choices made today

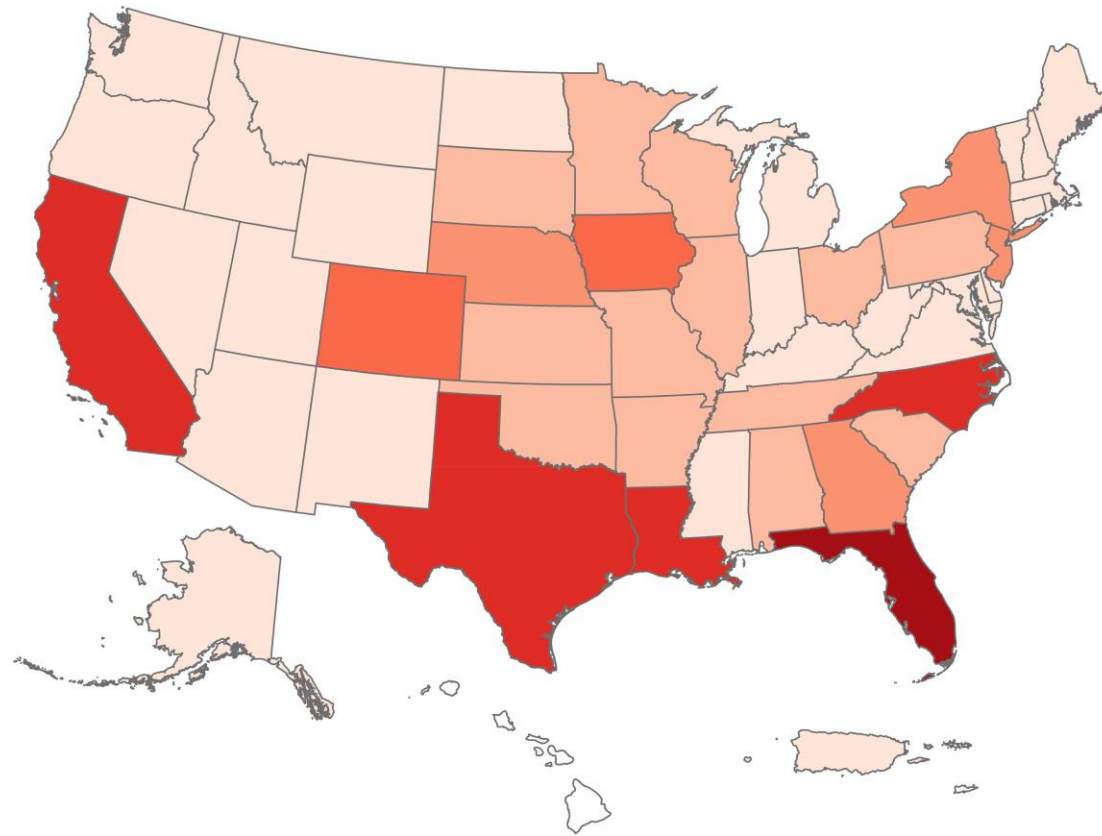
▶ Future global greenhouse gas emissions from human activities determine whether and how quickly the US reaches warming levels associated with greater risks.



Action to limit future warming and reduce risks can have near-term benefits and opportunities

Low-carbon energy jobs	Improved air quality	Health benefits	Economic benefits
Reduced risks to ecosystems	Reduced risks to biodiversity	More options for adaptation	Social benefits

Damages by State from Billion-Dollar Disasters (2018–2022)

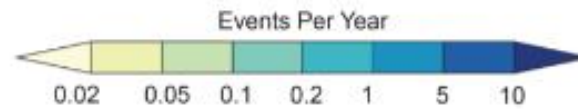
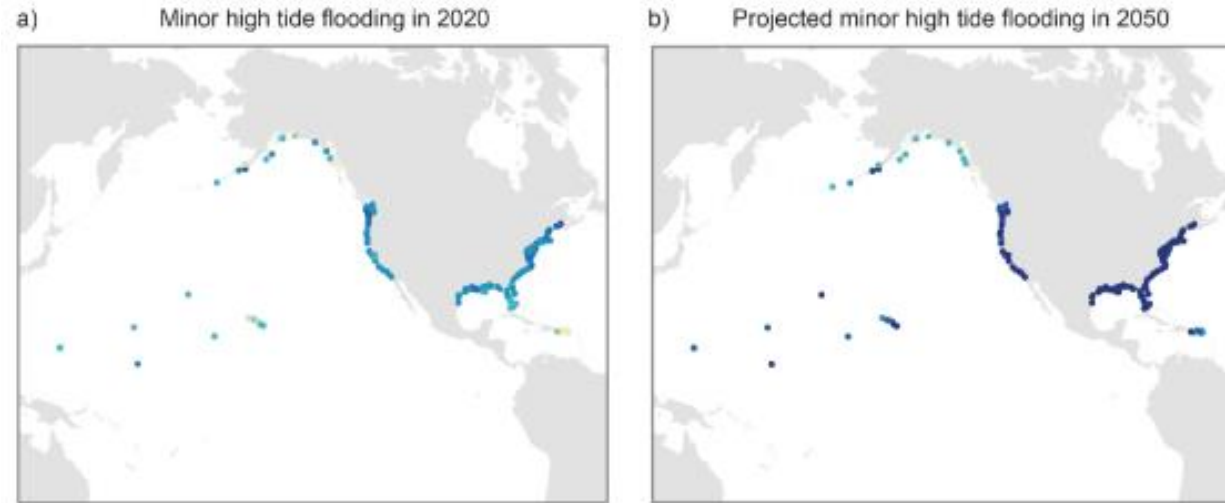


Billions of US dollars



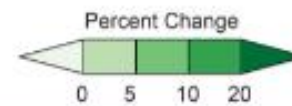
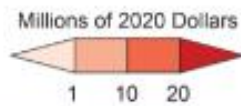
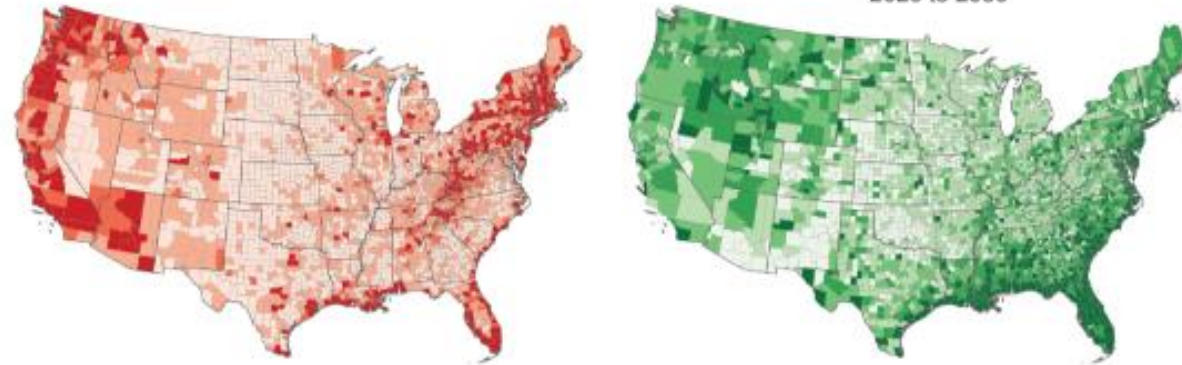
FEMA

US Flooding Risks in 2020 and 2050



c) Annual average loss from all types of flooding, 2020

d) Projected percent change in average annual loss, 2020 to 2050



FEMA

Actions/ Solutions

- Identifying Risks within Communities: National Risk Index
- Building Codes and Standards
- National Initiative to Advance Building Codes (NIABC)
- Technical Assistance and the Thriving Communities Network (TCN)
- Building Resilient Infrastructure and Communities (BRIC)
- Risk MAP Mitigation Planning Technical Assistance
- Community Disaster Resilience Zones (CDRZ)
- National Flood Insurance Program (NFIP)



DISCUSSION LEADER

Rosemarie Sabatino

Senior Homeownership Policy Specialist | National Council of State Housing Agencies

SPEAKERS

Chad Payeur

Resilience Doctrine and Strategy Division Director, Office of Resilience Strategy | Federal Emergency Management Agency

Erik Rubinyi

Financial Analyst, Office of Mortgage Markets | Consumer Financial Protection Bureau

Donna Spencer

Vice President, Servicing Relationship and Performance Management | Freddie Mac

Donna Schmidt

Managing Director | DLS Servicing Consultants, LLC

CFPB Resource Links

[Dealing with Disasters and Emergencies](#)

[Blog: Climate risk should be considered in housing decisions](#)

[Consumer advisory: Take action when home insurance is cancelled or costs surge](#)



NCSHA HFA Institute 2024

Managing Risk

Donna Schmidt
Managing Director



Extreme Weather = Risk of Default

All entities have programs to assist borrowers if they are adversely affected by a Presidentially Declared Disaster.

- Primary Residence is damaged.
- Income is directly affected – place of work damaged or halted operations due to the natural disaster.

Contact the Borrower

- Be Proactive – PDD issues zip codes of areas affected – reach out to your borrowers as soon as possible.
- End Contact Attempts – if borrower continues to pay.
- Loan Defaults – if still no contact order inspection.
- No Entry Zones – some disasters so severe that inspectors are not permitted in the area. Companies offer drone or satellite options to determine risk of property damage.



Substantially Damaged Home

- Defined by FEMA = cost to repair is equal to or greater than 50% of Fair Market Value.
- Servicer must monitor the repairs on such properties.



Moratorium on Foreclosure

- It is standard for all government insurers and the GSE to offer an initial 90-day moratorium on the completion and institution of foreclosure actions.
- These can be extended if circumstances warrant and vary by entity. You can also ask for individual extensions on a case-by-case basis.
- Foreclosure cannot be initiated or completed even when moratorium expires. Doing so would compromise the insurance payout.



Forbearance

- Suggested 3 months length – can always extend – cannot allow loan to become more than 12 months delinquent.
- Suggested \$10 per month (applied to escrow) – keeps you in contact with your borrower but can be waived if circumstances warrant.
- Offered when property is confirmed damaged, or borrower has a loss of income. *GSEs will allow if property is in a confirmed area.
- If you cannot contact the borrower, but inspection confirms damage to property or significant damage to neighborhood, consider pre-emptive forbearance.
* GSEs require QRPC.





FHA Resolutions

- Property had to have been borrower's primary residence.
- Loan was current at time of disaster & not more than 12 months delinquent now.
- Borrower can resume making payments AND property is repaired (i.e., all loss draft funds disbursed) – Modification – payment cannot increase.
- Mod increases payment – then Partial Claim.
- **Concern** – clearly indicate when a Partial Claim is for a Natural Disaster or other default.
- **Concern** – How will a disaster during a PSA affect the overall agreement?

*Note: Borrower must show proof their income did not go down or complete a 3-month trial payment plan.

RHS Resolutions

- Property had to have been borrower's primary residence.
- Loan was current at time of disaster & not more than 12 months delinquent now.
- Borrower can resume making payments AND property is repaired (i.e. all loss draft funds disbursed) – Payment Deferral or Cap & Extend Modification – payment cannot increase.
- If the previous options are not possible, then Mortgage Recovery Advance (MRA) – for arrears and out of pocket.
- Concern – clearly indicate when a MRA Claim is for a Natural Disaster or other default. Only 1 Spec Servicing MRA in life of loan – ok for multiple disaster related MRAs but cannot exceed statutory limit.





VA Resolutions

- No occupancy criteria listed in Handbook.
- Loan was current at time of disaster & at least 60 days but not more than 12 months delinquent now.
- Loan is not under a current loss mitigation evaluation.
- Borrower can resume regular mortgage payments.
- Extend Mod – Servicer waives the delinquent interest and simply extends the term by the # of months delinquent. Interest rate should remain the same unless the current market rate is lower than the note rate.
- Disaster Mod – standard capitalization permitted, interest rate at market but cannot increase more than 1%.
- Trial Payment Plan required for the disaster mod only – interest rate must be approved by VA prior to release of TPP.

GSE Resolutions

- A previous disaster forbearance is not a requirement.
- Loan was current at time of disaster (or not more than 60 days) & not more than 12 months delinquent now.
- Borrower confirms that they can afford the current payment PLUS projected escrow shortage spread over 60 months.
- Loan is not under a current loss mitigation evaluation or option.
- Disaster Deferral – only one per disaster event.
- FLEX Mod if borrower does not meet the other criteria for deferral.



PDD Review Requirements

FHA

VA

RHS

GSE

Property must be Occupied	X		X	
Loan Current at Time of Disaster and not more than 12 Months Delinquent	X	X	X	X
Borrower can Resume Payments	X	X	X	X
Loan not under current Loss Mitigation Review		X		X
Any Property Damage is Repaired			X	
Loan must be at Least 2 Months Delinquent		X		

Consider Program to Purchase Damaged Homes

[Demolishing Homes That Sustain Hurricane Damage Can Improve Local Economy | Scientific American](#)



Links for Creative Inspections

First Rate Field Services - [https://www.firstratefieldservices.com/
mklein@firstratereo.com](https://www.firstratefieldservices.com/mklein@firstratereo.com)

Offers an application that allows borrowers to walk through their home with their phone to identify damages.

Servicelink – [https://www.svclnk.com/servicers/default/field-services/
jon.mason@svclnk.com](https://www.svclnk.com/servicers/default/field-services/jon.mason@svclnk.com)

Loss draft and delinquent inspections.

Insight One – [MSI & Earthvisionz Partnership \(youtube.com\)](#)
jodi.gaines@ionesolutions.com

Offers drone inspections and high-tech weather impact evaluations.

Donna Schmidt
Managing Director
Dschmidt@DLS-Servicing.com



Serving Our Mission

For families: responsibly creating more homeownership and rental opportunities

For customers: providing access to better tools and data to reduce costs and increase efficiency

For investors: producing attractive mortgage interest rate and credit risk investments

For taxpayers: reducing their exposure by shifting risk to private capital



Donna Spencer
Vice-President, Servicer Relationship
and Performance Management



Resources:

[Seller/Service Guide](#)

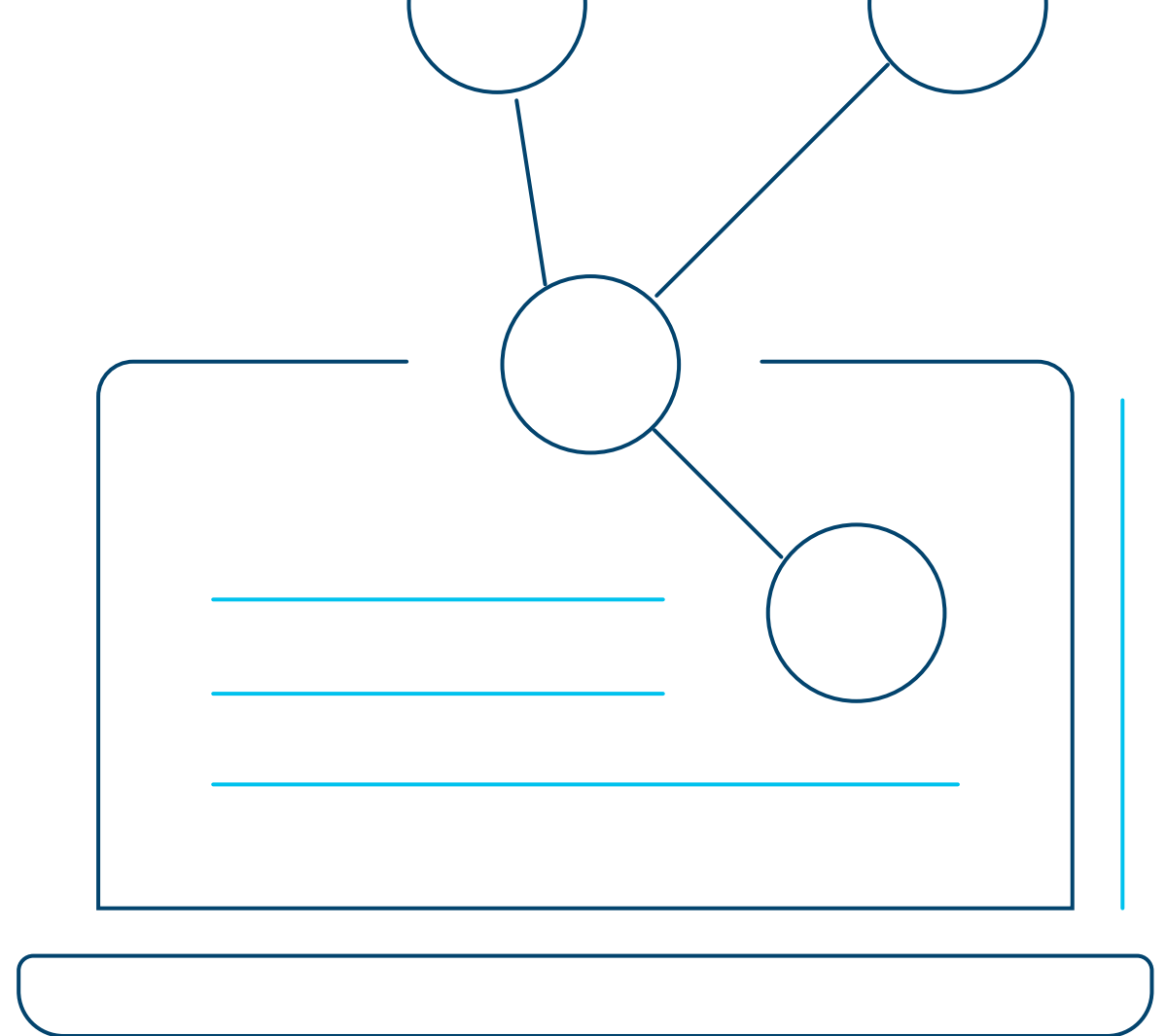
[Resolve® Web Page](#)

[Service Success Scorecard Tutorial](#)

[HFA Resource Center](#)

[My Home by Freddie Mac - Your guide to home.](#)

1/12/2024



DISCUSSION LEADER

Rosemarie Sabatino

Senior Homeownership Policy Specialist | National Council of State Housing Agencies

SPEAKERS

Chad Payeur

Resilience Doctrine and Strategy Division Director, Office of Resilience Strategy | Federal Emergency Management Agency

Erik Rubinyi

Financial Analyst, Office of Mortgage Markets | Consumer Financial Protection Bureau

Donna Schmidt

Managing Director | DLS Servicing Consultants, LLC

Donna Spencer

Vice President, Servicing Relationship and Performance Management | Freddie Mac