



National Council *of*
State Housing Agencies

Mortgage Servicing & Loss Mitigation in a Changing Landscape

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FHA SFDMs Reporting Change

FHA SFDMs Reporting:

Announced on September 13 in ML 2021-21

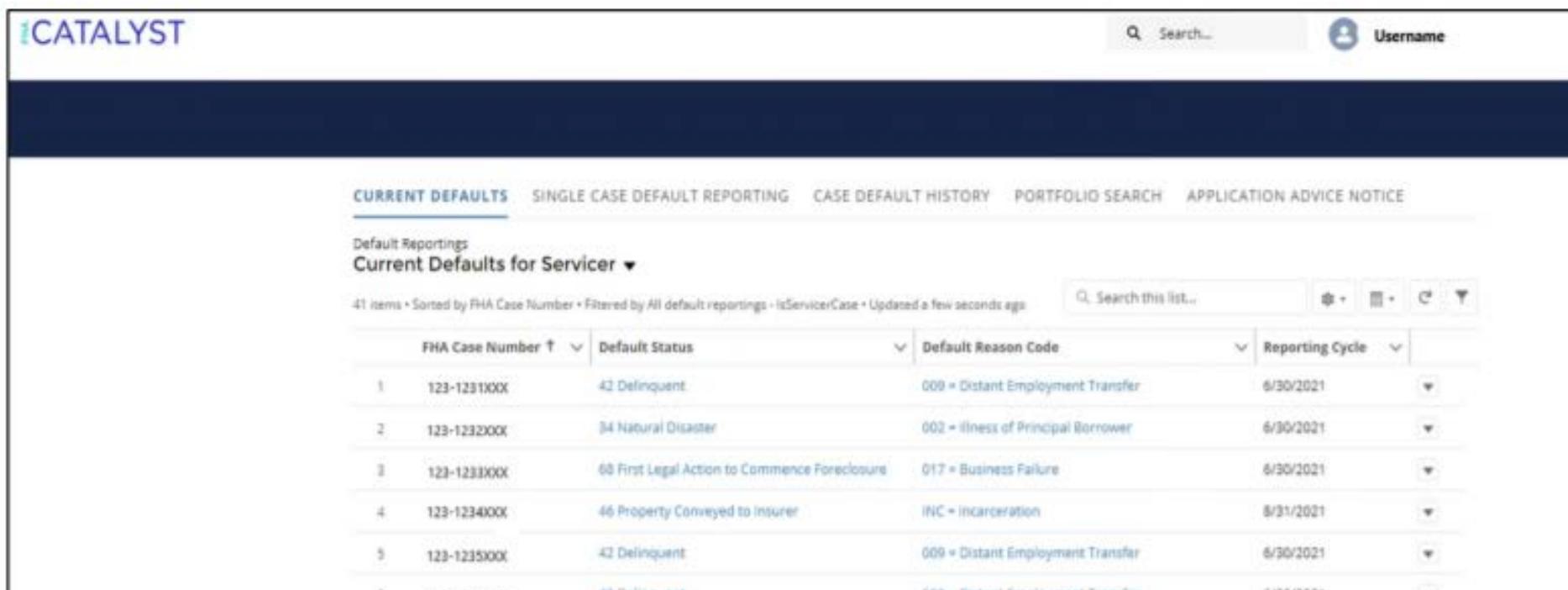
November 5, 2021 will be the last day servicers have access to SFDMs reporting in FHA Connection.

December 1, 2021 all SFDMs reporting to be sent through EDI or on the FHA Catalyst Platform.

Access to the platform must be requested prior to December 1.

At this time, training has not been released by FHA. A User Guide is available.

To request access, email the completed [FHA Catalyst External User Access Request Form](#) to the FHA Resource Center at answers@hud.gov



The screenshot shows the FHA Catalyst Platform interface. At the top, there is a navigation bar with links for 'CURRENT DEFAULTS', 'SINGLE CASE DEFAULT REPORTING', 'CASE DEFAULT HISTORY', 'PORTFOLIO SEARCH', and 'APPLICATION ADVICE NOTICE'. Below this, a sub-header reads 'Default Reportings' and 'Current Defaults for Servicer ▾'. A table displays 41 items, sorted by FHA Case Number and filtered by 'All default reportings - isServicerCase - Updated a few seconds ago'. The table columns are 'FHA Case Number', 'Default Status', 'Default Reason Code', and 'Reporting Cycle'. Each row contains a unique identifier, the FHA Case Number, the default status, the reason code, and the reporting cycle date.

	FHA Case Number	Default Status	Default Reason Code	Reporting Cycle
1	123-1231XXX	42 Delinquent	009 = Distant Employment Transfer	6/30/2021
2	123-1232XXX	34 Natural Disaster	002 = Illness of Principal Borrower	6/30/2021
3	123-1233XXX	68 First Legal Action to Commence Foreclosure	017 = Business Failure	6/30/2021
4	123-1234XXX	46 Property Conveyed to Insurer	INC = Incarceration	6/31/2021
5	123-1235XXX	42 Delinquent	009 = Distant Employment Transfer	6/30/2021
...



FHA Loss Mitigation

FHA Covid-19 Forbearance:

Introduced on April 1 in ML 2020-06
Updated on September 27 in ML 2021-24
See Table of current offering

Advanced Loan Modification:

Introduced on June 25 in ML 2021-15

Covid-19 Partial Claim:

Introduced on April 1 in ML 2020-06
Current option as of July 23 in ML 2021-18

Covid-19 Modification:

Introduced on July 8 in ML 2020-22
Current option as of July 23 in ML 2021-18

Covid-19 Pre-Foreclosure Sale & Deed in Lieu:

Introduced on April 1 in ML 2020-06
Current option as of July 23 in ML 2021-18

Initial Forbearance Start Date	Initial Forbearance Period	Additional Forbearance Period	Forbearance Extension	Maximum Forbearance Period*
March 1, 2020 - June 30, 2020	Up to 6 months	Up to 6 months	Up to 6 months (in 3 month increments)	Up to 18 months
July 1, 2020 - Sept 30, 2020	Up to 6 months	Up to 6 months	Up to 3 months	Up to 15 months
Oct 1, 2020 - June 30, 2021	Up to 6 months	Up to 6 months	0	Up to 12 months
July 1, 2021 - Sept 30, 2021	Up to 6 months	Up to 6 months	0	Up to 12 months
Oct 1, 2021 - End of the Covid-19 National Emergency	Up to 6 months	Up to 6 months (if initial forbearance will be exhausted & expires during Covid-19 National Emergency)	0	Up to 12 months (if borrower is eligible for the additional Covid-19 Forbearance Period)

*No Covid-19 Forbearance Period may extend beyond 6 months after the end of the Covid-19 National Emergency or September 30, 2022, whichever is later.

USDA RHS Loss Mitigation

Handbook Updates: Chapter 18 Policy Updates COVID-19 Special Relief Measures

Introduced September 23, contains Special Relief Measures released July 23, 2021



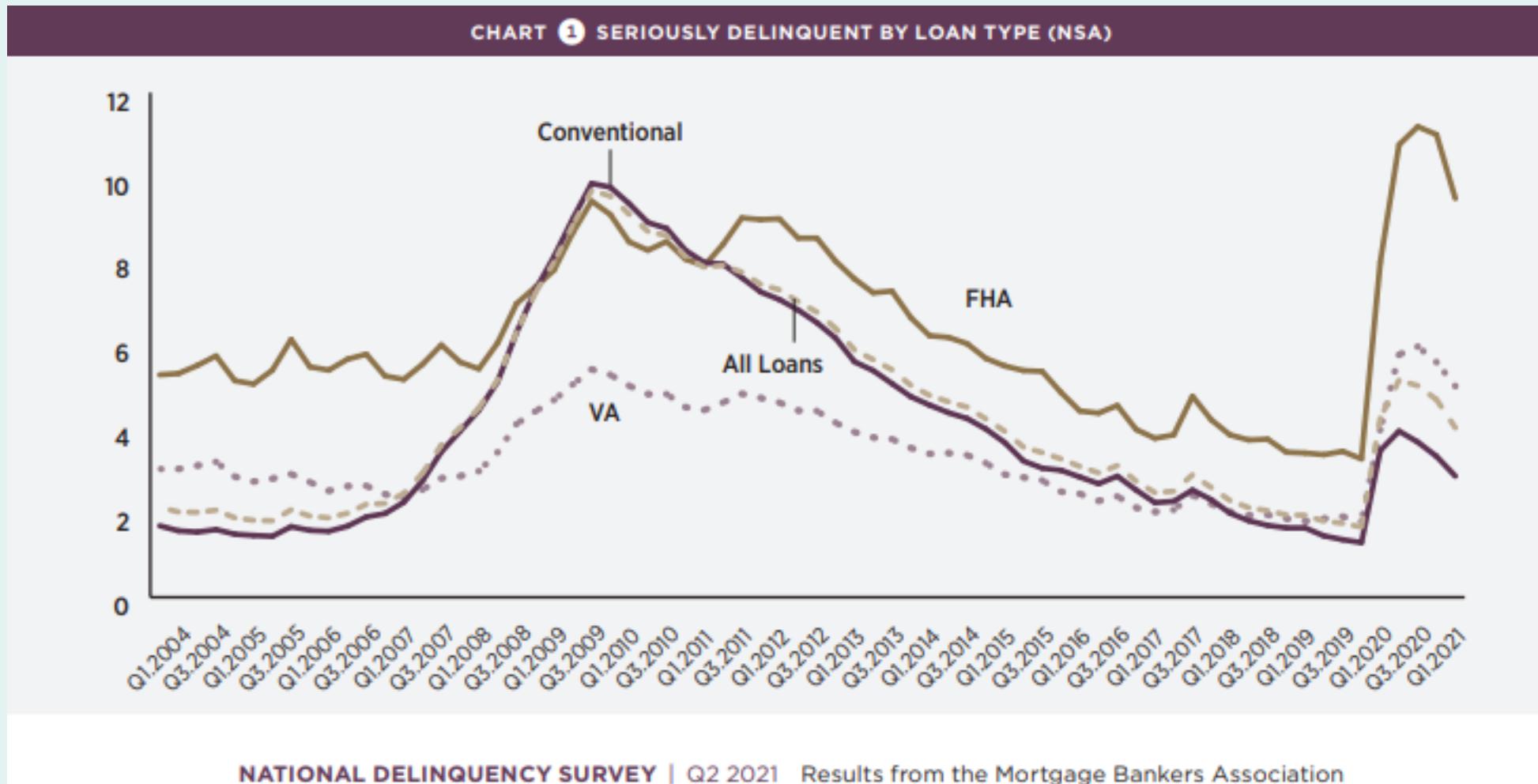
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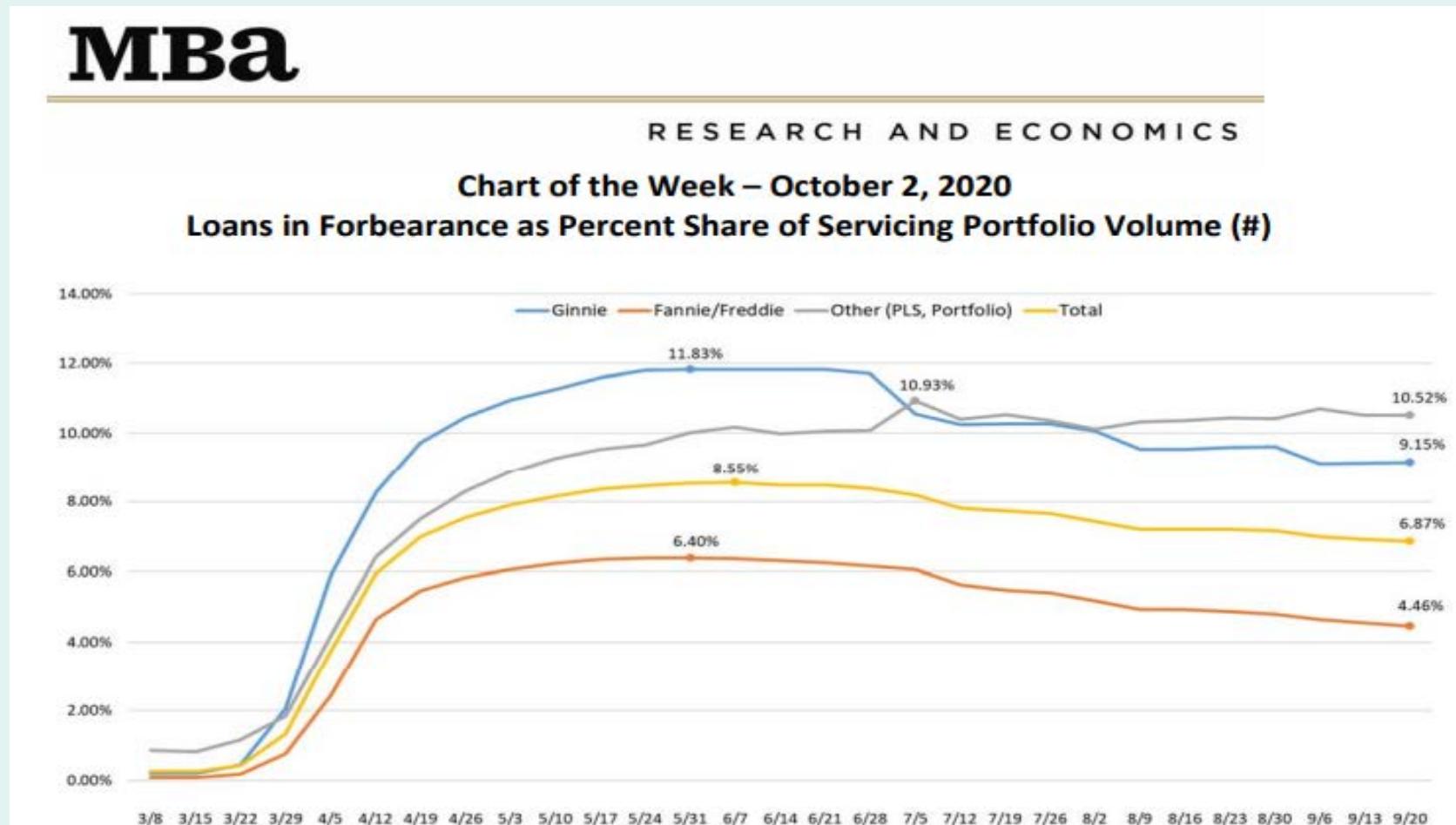
Chuck Kracht
Director of Loan Servicing
Idaho Housing and Finance Association



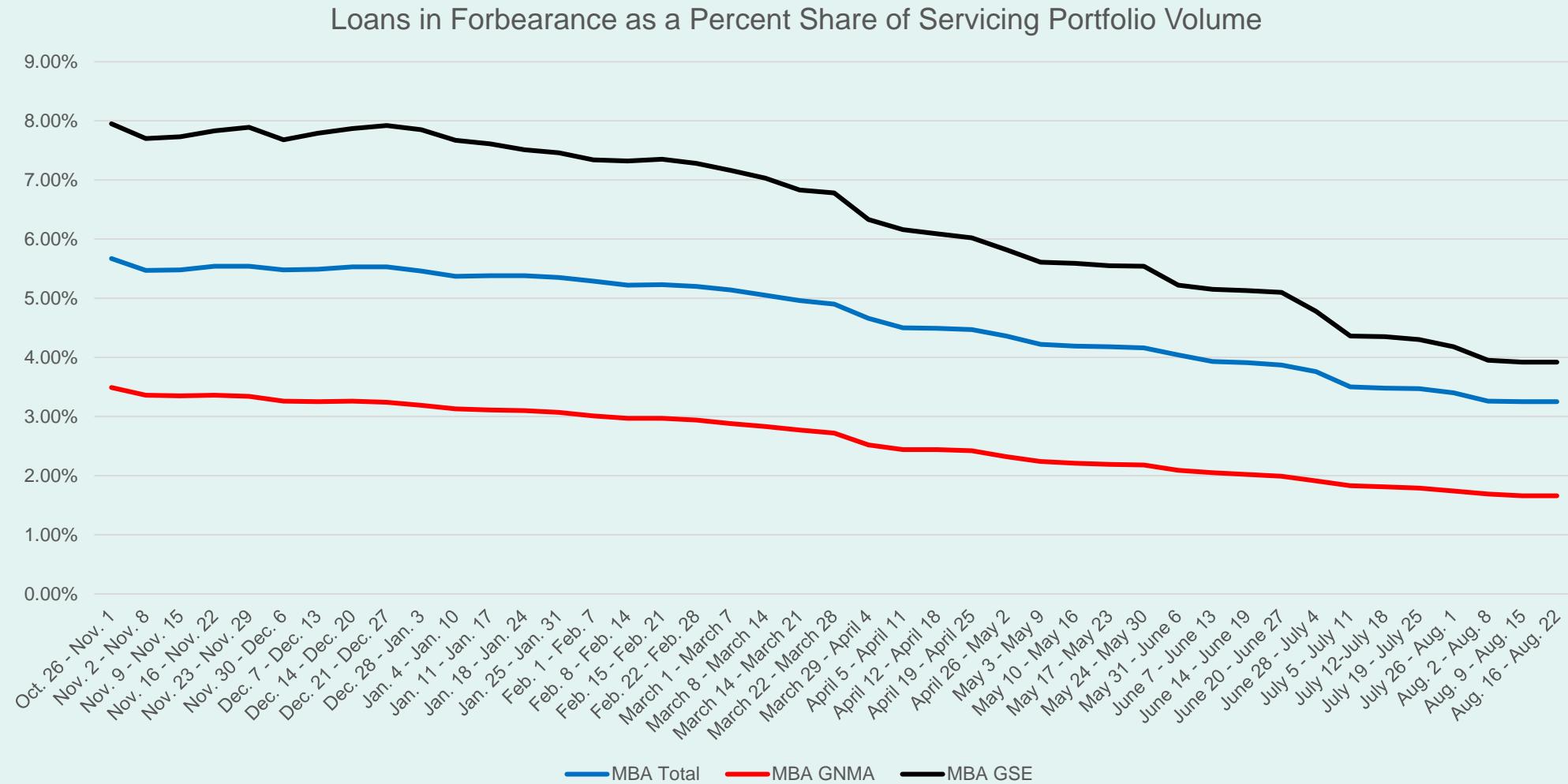
Seriously Delinquent Loan Rates



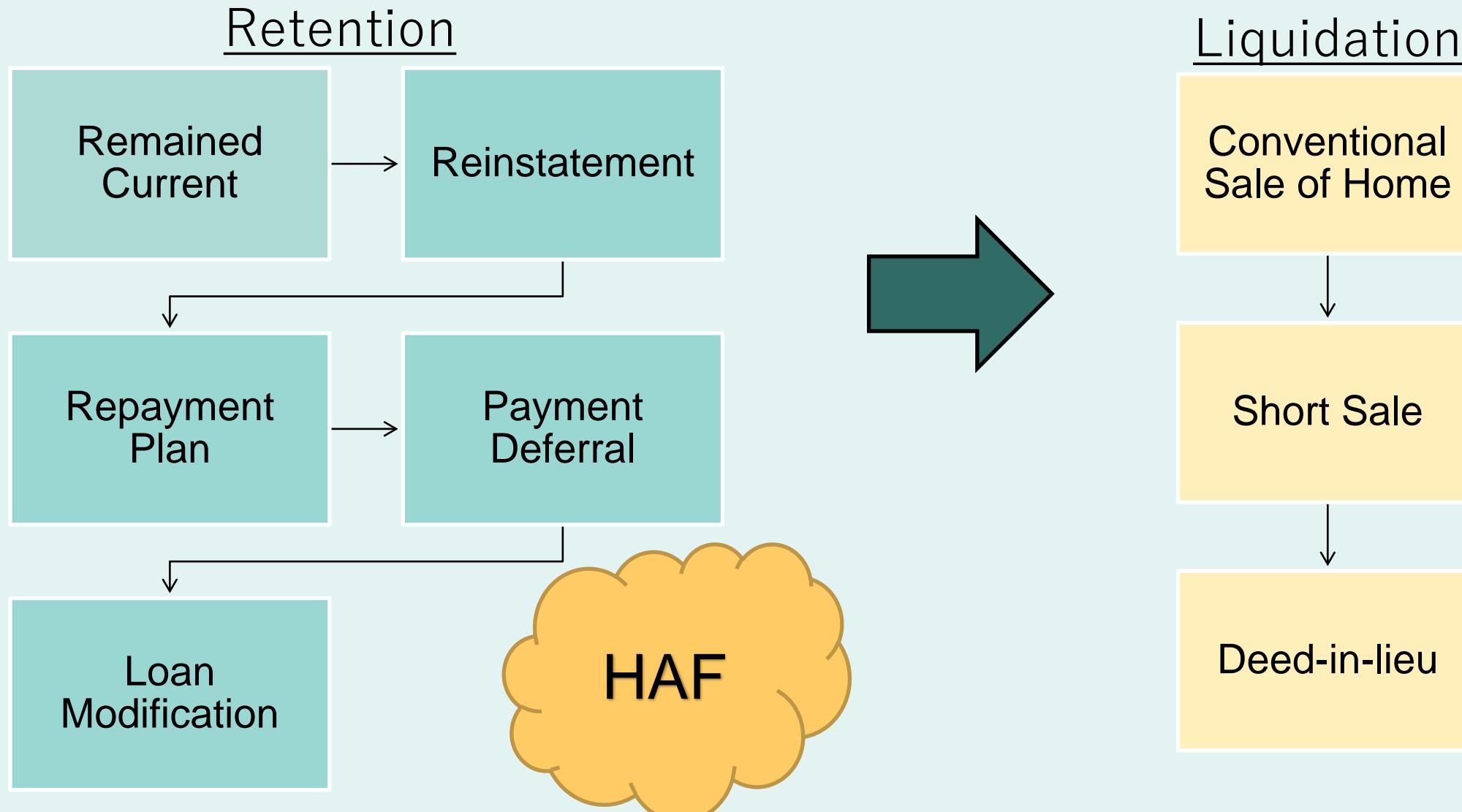
How many homeowners took advantage of forbearance plans?



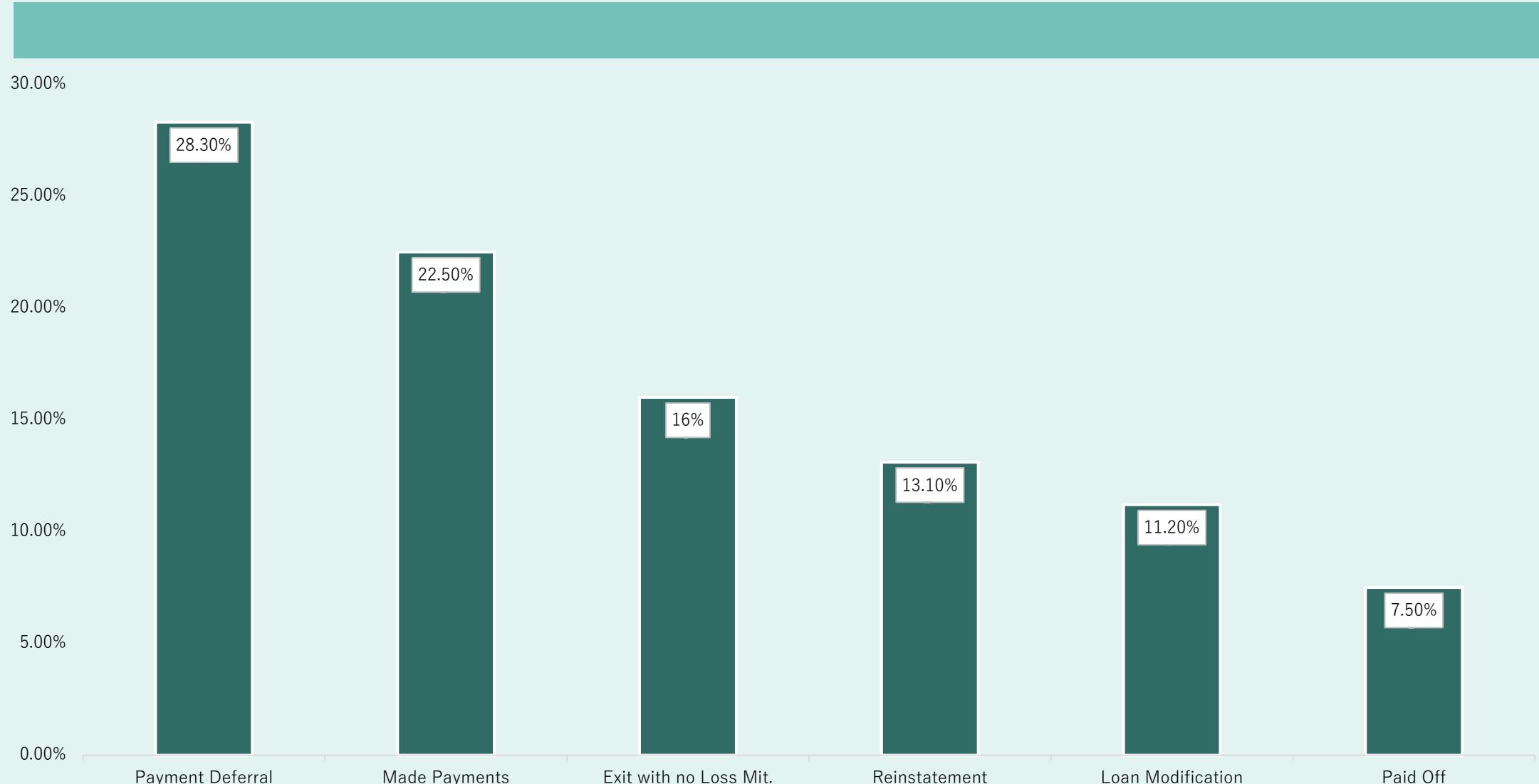
Source: MBA's Weekly Forbearance and Call Volume Survey



The “Waterfall”



What are the numbers?



(Mortgage Bankers Association Forbearance and Call Volume Survey)



Presentation for:



Presenter:
Donna Schmidt

THE POINT

FHA, in particular has opened itself up to fraud and abuse that could jeopardize its financial viability over the next decade.

Thereby endangering HFA's target market and possibly pricing those borrowers out of the market.

Good Intentions

“People with good intentions but limited understanding are more dangerous than people with total ill will.”

- Martin Luther King, Jr.

While well intentioned – with the exception of the VA Partial Claim, the recent Government Insurer changes in response to the COVID Pandemic are financially inappropriate & unnecessary.

Pandemic Response

- March 13, 2020 – Presidential declaration of National Emergency
- March 19, 2020 – CA is first state to issue stay at home order – other states soon follow – “2 weeks to slow the curve”
- March 27, 2020 - CARES Act – signed into law
- March 27, 2020 - Automatic forbearances, based on a verbal recognition of being impacted by the COVID-19 virus or related shutdowns.
- April 1, 2020 – ML 2020-06 – COVID-19 Stand Alone Partial Claim now available

Pandemic Response

- July 8, 2020 – ML 2020-22 - Expansion of COVID-19 Loss Mitigation options to include the non owner occupied/owner occupied loan modification, Combination Partial Claim and Modification and COVID FHA HAMP.
- Misc MLs – extending the expiration of the Forbearance periods – now through 6/2022
- June 25, 2021 – ML 2021-15 - Introduction of the ALM – Advance Loan Modification
- July 23, 2021 – ML 2021-18 - Introduction of the Recovery Modification

Government had a Responsibility

- Impact of Virus – some individuals had devastating and long lasting physical effects from the virus
- Lack of Experience – we had a lot to learn about this virus, how it spread, who was impacted and how to treat it
- Shutdowns – hampered an individual's ability to provide for their families
- Length of Shutdowns – destroyed some small businesses unable to weather long periods without normal cash flow

Lessons from Last Housing Crises

- Servicers could not handle sudden large volume of loss mitigation applications
- Requiring too much paperwork led to delays in resolving the crises
- Servicers could experience a liquidity problem with either scheduled/scheduled pymts requirements for modification buyouts

Evolution of the Response

- Within weeks - Stand Alone PC - **PERFECT** response to a short term problem
- Within 4 months - First **COVID options** – as it became clear that some businesses would fail and there could be permanent losses of income, these options became necessary:
 - Loan Modification
 - PC and Mod
 - COVID HAMP
- Over a Year in - SMH – I think I understand the intention but - SMH

Fighting the Last War

Recovery Modification –

- without the benefit of the borrower proving a loss of income
- Servicer must lower the P&I by 25%
- Simply because the borrower has expressed that they have been negatively impacted by COVID and they cannot afford their current payment.

Why 25% - because during the housing crises – the loans that performed best after a modification saw a decrease of 20-25% in their P&I Payment.

Then and Now

Housing Crises

- Triggered the Great Recession – millions out of work
- Home prices cratered as much as 75% in some locations
- Loss of Income/Unemployment RFD rose from approximately 21% in 2006 to 46% in 2010
- People struggled to find full time employment

Current Situation

- Labor shortage resulting in higher wages for all positions
- Unprecedented rising NATIONAL housing market – only now tapering
- RFD returning to historical norms with Excessive Obligations the leading option

Unintended Consequences

- ALM – works only for seasoned loans with high interest rates and/or amortized for at least 10 years = Free Refinance
- Recovery Mod – gives Partial Claim funds to many who would not need it – depleting the fund needlessly.

54% of the borrowers asking for a COVID HAMP – only qualified for Loan Mod only HAMP – they could NOT support a loss of income or an inability to afford their payment, after submitting income documentation.

LET THAT SINK IN!!

Other Unintended Consequences

- **Handbook 4000.1 – changes effective March 2022**
 - Eliminating Seasoning Requirements
 - Eliminating affordability of the Repayment Plan

Pressure from large servicers to streamline the process – lazy and a disservice to 1st time buyers

Could lead to low reserves and higher MIP premiums to compensate.



Also offering WaterfallCalc.com – Loss Mitigation Waterfall analysis and calculation web-based application!

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