NCSHA

May 14, 2020

The Honorable Seth Appleton
Principal Executive Vice President
Ginnie Mae
451 Seventh Street, Room B-133
Washington, DC 20410

Dear Mr. Appleton,

On behalf of its state Housing Finance Agency (HFA) members, the National Council of State Housing Agencies (NCSHA)[1] thanks you for the steps you have taken to provide assistance to single-family and multifamily loan servicers affected by COVID-19. However, we ask you to reconsider and amend key aspects of those programs. We also urge you to issue guidance as soon as possible that would hold harmless state HFAs from the effects of Ginnie Mae's delinquency ratio calculations during the COVID-19 pandemic.

Single-Family and Multifamily Pass-Through Assistance Programs

While the pass-through assistance programs (PTAP) Ginnie Mae has established in response to COVID-19 national emergency provide significant help to servicers that need it, the last resort language and pricing create obstacles for some HFAs to use these programs.

Several issuers interpret the last resort language to mean they must exhaust all available cash, even if it was going to be used for other affordable housing purposes. We urge you to clarify that HFA issuers can apply for PTAP financing rather than pulling financial resources meant for other affordable housing or economic programs and proving that they cannot obtain other financing.

Also, the PTAP pricing seems excessive, unreasonable, and punitive considering the extraordinary circumstances that have led to this crisis, the likely limited term of assistance required, and the low risk of default on issuer repayments. We urge you to reduce the pricing to costs much closer to the government's short-term borrowing rate.

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[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.

Single-Family Delinquency Ratio Concerns

We also urge you to clarify that issuers may exclude from their delinquency ratio calculations: (1) loans where the borrower was impacted by COVID-19 and is in forbearance; and (2) loans that otherwise would have been in any stage of foreclosure.

Without such clarification, state HFAs could be forced to buy back millions of dollars of loans in Ginnie Mae securities to ensure that they are not sanctioned by Ginnie Mae for delinquencies caused by the unprecedented COVID-19 emergency and related laws.

Large-scale mortgage loan buy-outs would leave HFAs with fewer resources to address the other priority housing needs of their states, such as assistance for new homeownership loans, the effects of COVID-19 on persons experiencing or at risk of homelessness, and rental assistance for those who are now temporarily unemployed. One HFA indicated that once an existing line of credit is exhausted, it would be required to tap its available general fund cash, which is used to support other programs in the state, including their small business lending programs, gap funding for 4% multifamily Low Income Housing Tax Credit projects, and supporting local affordable housing nonprofit organizations in the state.

Time is of the essence. Given that the President signed the CARES Act into law on March 27, 2020, enabling those who were impacted by COVID-19 to request forbearance prior to making their April mortgage payment, those loans will need to be counted in the 60-day delinquency ratios in June if the needed clarifications are not made.

In 2018, 37 HFAs issued more than $13 billion in Ginnie Mae single-family MBS. Because loans insured or guaranteed by the Federal Housing Administration, Veterans Administration, and Rural Housing Service are the bedrock of HFA affordable homeownership programs, remaining in good standing with Ginnie Mae and avoiding being sanctioned is of high priority.

Ginnie Mae's MBS Guide[2] specifies the delinquency ratios on outstanding pools and loan packages below which an issuer must remain. 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 delinquent divided by the total number of loans remaining in the portfolio – is 7.5 percent. The maximum DQ3+ Delinquency Ratio, which reflects loans that are three months or more delinquent, is 5 percent. In the normal course of business, this lower ratio reflects loans that have been removed from a pool and for which a servicer is seeking remedy, including foreclosure.

Historically, HFAs have ably managed to these standards, even during market downturns. Unfortunately, these are unprecedented times. A record number of Americans have either temporarily or permanently lost their jobs. While the CARES Act provides badly needed relief to the economy and to

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[2] Chapter 18, Section C

homeowners, it also permits homeowners with federally backed mortgage loans to request forbearance if they have been impacted by COVD-19.

Indeed, an unprecedented number of homeowners have asked for mortgage payment forbearance. According to the most recent Mortgage Bankers Association survey, as of May 3, an estimated 10.96 percent of Ginnie Mae's portfolio was in forbearance. Additionally, the CARES Act and several states have placed temporary moratoria on foreclosure processes, keeping servicers from exercising this normal remedy for mortgage loan defaults not in any way associated with COVID-19.

We would welcome the opportunity to discuss this with you at your earliest convenience.

Sincerely,

Garth Rieman
Director of Housing Advocacy and Strategic Initiatives