

Government Update: How Emergency Actions Are Impacting the Market



MAY 6
4:00 p.m. – 5:00 p.m.

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HOW EMERGENCY ACTIONS ARE IMPACTING THE MARKET

JOHN A. DUNNERY

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Poll Question #1

Q:

A year into COVID-19 payment forbearance, which resolution path will have the highest use for borrowers still under forbearance protection?

- a) Deferral
- b) Modification
- c) Foreclosure

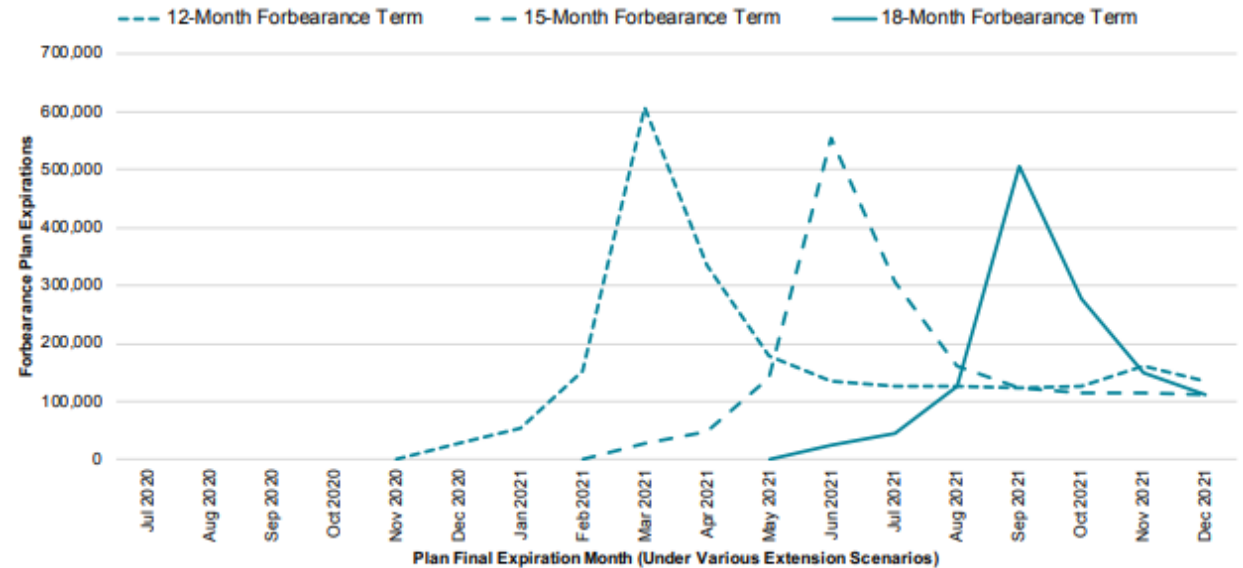
* Answer question below under the video stream.

Transition From Borrower Triage to Cure

TIME → OUTCOME → RECOVERY

- Time to Recover
- Treatment Outcomes
- Market Recovery
 - At the current rate of improvement, an estimated 600K plans would have reached their original 12-month forbearance expiration at the end of March (the peak month for expiration activity)
 - An extension in plan length to 18 months (as recently made by both HUD and FHFA) would push the peak in expirations back to September month-end but only reduce the peak expiration volume by 100K (-17%)
 - Improvement rates could increase or decrease in coming months, and it's yet to be seen if a meaningful share of homeowners in forbearance choose to opt out at 12 months rather than exercising any additional extensions

ESTIMATED FORBEARANCE EXPIRATION VOLUMES / TIMING UNDER VARIOUS EXTENSION SCENARIOS



Scenarios above include current monthly reduction rate of 3% observed among early forbearance starts in recent months

Source: Treliant, LLC, April 2021

Transition From Borrower Triage to Cure

BEST POLICY → CONCERNS → CONSEQUENCES

Time to Recover

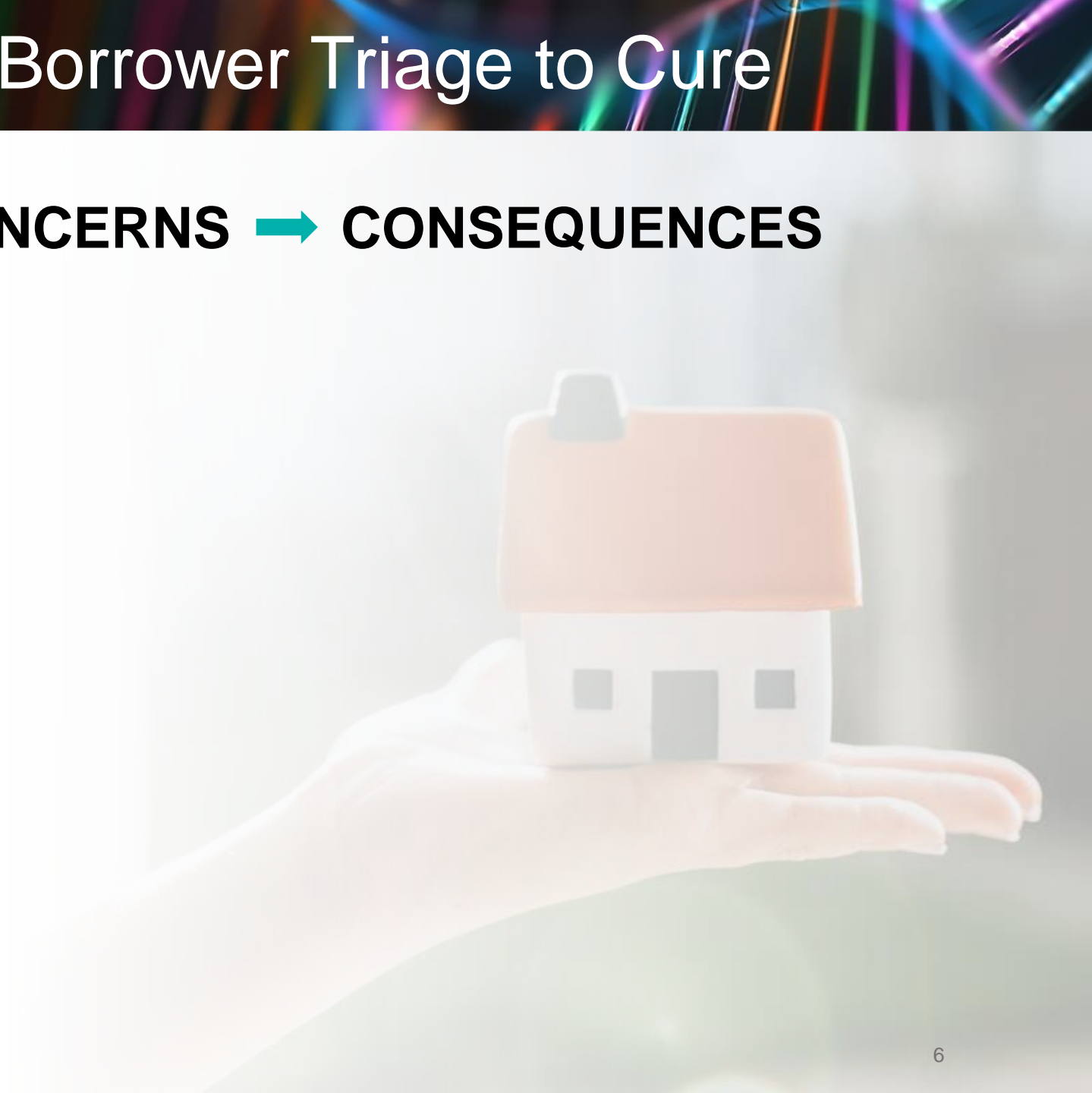
- Individualized or Objective Standardization
- Recovery Aversion
- Inequality

Treatment Outcomes

- Affordable Fresh Start
- Variant Arises
- Residual Effects

Market Recovery

- Balanced
- Contagion
- Annual Booster



Poll Question #2

Q:

Compared to the 2008 financial crisis, how would you rate the efficacy of government program communication during the COVID-19 pandemic?

- a) More Helpful
- b) About the Same
- c) Less Helpful

* Answer question below under the video stream.



HOW EMERGENCY ACTIONS ARE IMPACTING THE MARKET

PRASANT SAR

Supervisory Policy Analyst, Servicing Policy and Asset Management
FHFA

The temporary changes in selling policies allow for enterprise counterparties to continue originations and appraisals in light of stay-at-home orders and social distancing guidelines that have impacted property access and borrower contact practices.

- **Appraisals** – temporarily allows exterior-only appraisals on owned rate-term refinances and desktop appraisal on purchase loans including new construction.
- **Verification of Employment** – temporarily allows verifying employment through email, recent bank statements or pay stubs.
- **Power of Attorney (PoA)** – temporarily expands the use of PoA and remote online notarizations to assist with loan closings.
- **Risk Reduction Requirements** – temporarily limits the age of income and asset documentation, reducing the number of days from 120 to 60 and limiting the enterprises' exposure to unexpected unemployment or income curtailment before closing.

COVID-19 Update – Servicing Announcements

Temporary changes in servicing policies allow for enterprise counterparties to provide options for borrowers with financial hardship as a result of COVID-19 impacts to employment, income or health.

- **Forbearance** – Servicers made forbearance plans available for borrowers with a COVID-19 hardship based on borrower attestation; extended forbearance up to 18 months with borrower contact
- **Modifications** – Increased eligibility (consistent with disaster flexibilities) for flex. modification that reduces the monthly payment
- **Credit Reporting** – Modified approach based on CARES Act and then deferred to FCRA
- **Foreclosures and Eviction** – Suspended foreclosures and evictions through June 30, 2021
- **Pay Deferral** – Deployed a loss mitigation product that allows borrowers to put forbore payments into a noninterest-bearing amount due at the end of the mortgage that can stay in the MBS trust and allows the borrower to resume their normal monthly mortgage payments
- **FHFA/CFPB Borrower Protection Program** – Allows FHFA access to CFPB’s complaint database, providing insight to borrower complaints about specific servicers
- **Servicer Scripts in Multiple Languages** – Provides resources for industry and counselors to improve messaging (<https://www.fhfa.gov/MortgageTranslations/Pages/COVID-Resources.aspx>)

Poll Question #3

Q:

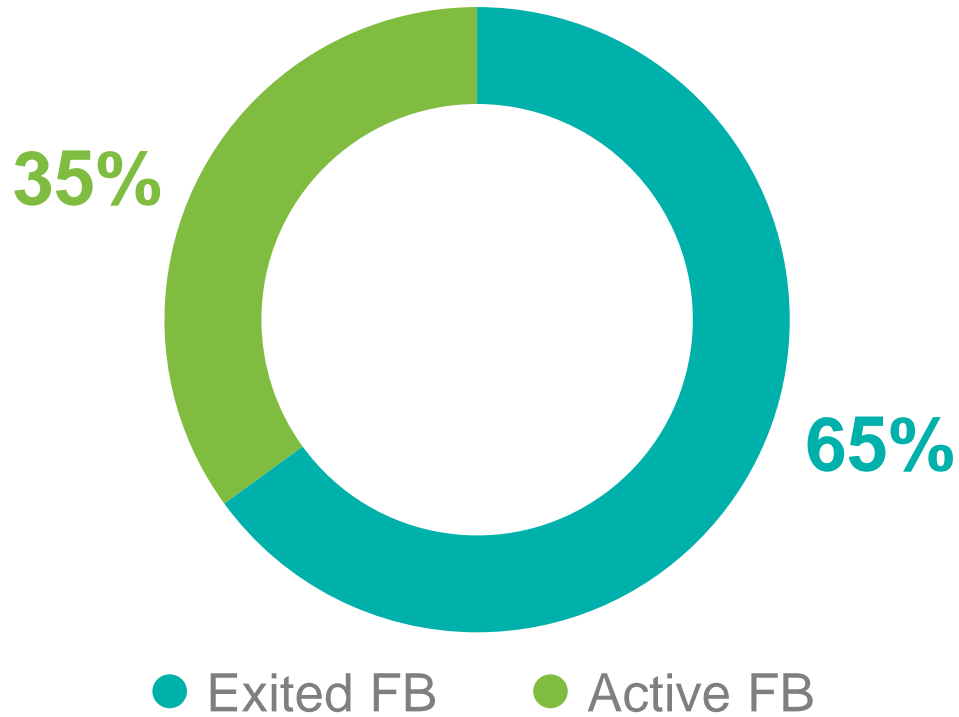
Where do you prefer to access COVID-19 policy guidance?

- a) Interagency Housing HUB Maintained by the CFPB
- b) Fannie and Freddie Websites
- c) FHFA Website
- d) Other

* Answer question below under the video stream.

Enterprise Forbearance Overview

~2.1 million
 Forbearance Plans Initiated
 Since March 2020



Self-Cure	21% Reinstatement	14% Never Went DQ		
Delinquent	3% Prior Loss Mitigation	4% No Loss Mitigation		
Loss Mitigation	1% Repayment Plan	32% Payment Deferral Completed	1% Mod. Completed	1% Active Trial Mod.
Liquidation	24% Liquidated/ Payoff			

433K Current Payment Deferrals

An arrow points from the '433K Current Payment Deferrals' callout box to the '32% Payment Deferral Completed' cell in the Loss Mitigation row.

As of March 2021



HOW EMERGENCY ACTIONS ARE IMPACTING THE MARKET

MICHAEL KEATON
Chief Servicing Officer
Shellpoint Mortgage Servicing

Poll Question #4

Q:

Should the COVID-19
foreclosure moratoria
be extended to year-
end 2021 for all
homeowners?

- a) All homeowners would benefit if the foreclosure moratoria were extended to year-end 2021.
- b) The foreclosure moratoria should be allowed to expire on June 30 with individual extensions granted on a case-by-case basis to homeowners who are engaged with their servicer in loss mitigation.
- c) The moratoria should be extended until spring 2022 with no requirement for homeowners to engage in loss mitigation.

* Answer question below under the video stream.

Migration of COVID-19-Impacted Homeowners

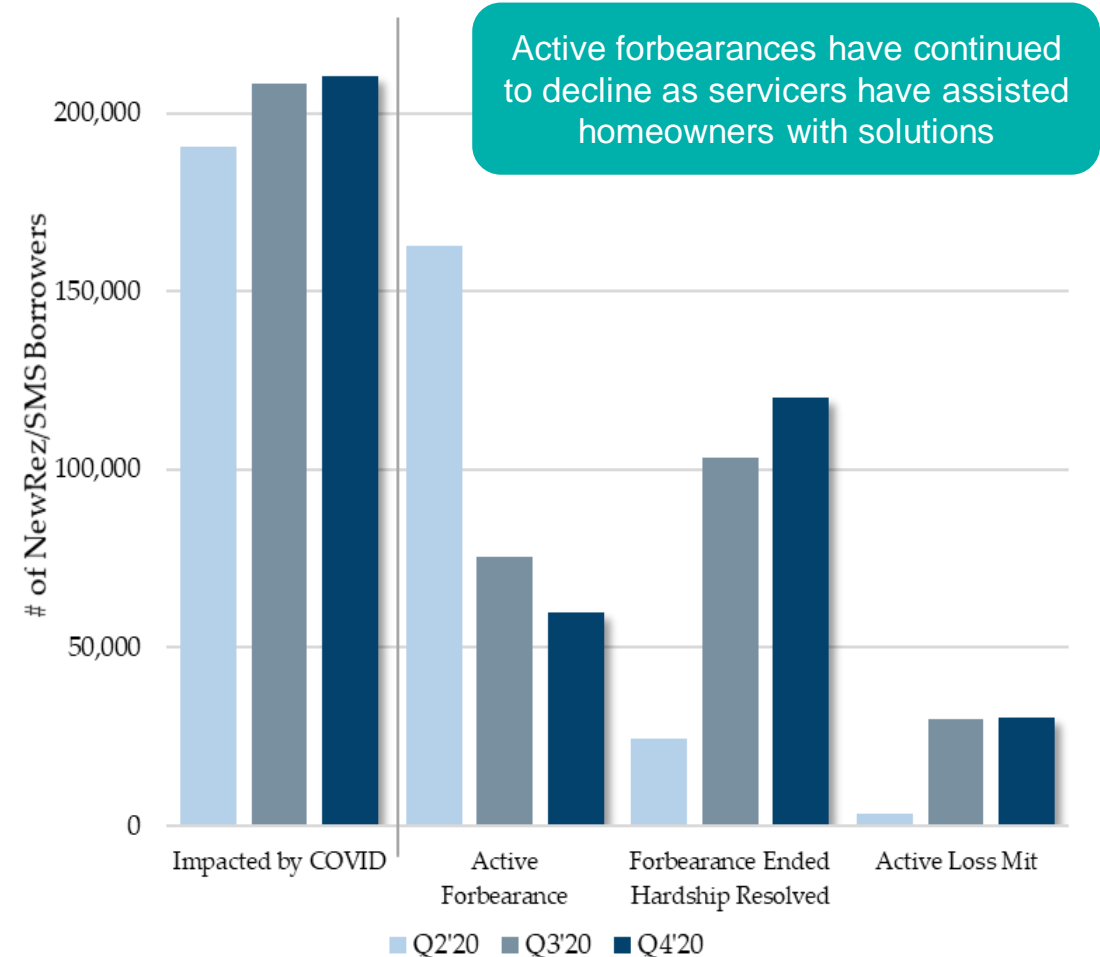
Servicers have been successful helping homeowners, third-party clients and investors navigate the COVID-19 landscape.

Mortgage servicers stepped up in 2020

- Servicers were tasked with maintaining high levels of performance and operational execution in the face of unprecedented forbearance volumes
- Many servicers deployed off-the-shelf and proprietary loss mitigation technologies to help homeowners move from forbearance into permanent solutions such as repayment plans, deferments and loan modifications

Shellpoint / NewRez key stats as of Dec 31, 2020:

- 58% of COVID-19-related forbearances (over 120,000 homeowners) have been resolved
- Only ~2,000 new forbearance requests in Q4 2020, down from ~174,000 in Q2-2020
- Active forbearances down to 28% of the population originally impacted by COVID-19
- Only 3.4% of total portfolio in active forbearance as of 12/31/20



Home Retention Is the #1 Goal

1. Home retention solutions support homeowners, strengthen families and build communities
2. Retention solutions fully align the interests of everyone:
 - The *homeowner* stays in their home and doesn't experience disruption
 - The *servicer* retains the customer relationship and typically earns an incentive from the *investor*
3. Since the onset of COVID-19, servicers have been successful resolving homeowner hardships and keeping homeowners in their homes through timely engagement efforts and effective loss mitigation strategies

Homeowner Engagement Is Critical

Existing proactive engagement efforts by servicers have helped homeowners navigate COVID-19-related forbearances and avoid foreclosure.



Mini Interview

Online or over the phone, get a basic understanding of the hardship, including why the homeowner needs another forbearance extension



Basic Analysis

Homeowner is granted a 60- to 90-day forbearance extension and the servicer analyzes the homeowner's unique situation and evaluates according to investor / insurer guidelines to avoid foreclosure



Implementation of Solution

An alternative to foreclosure is implemented based on the homeowner's unique situation and what is allowed under investor / insurer guidelines

Q&A



**THANK YOU
FOR ATTENDING**

