



CHLA Initiatives – COVID-19 and Forbearance

Since the coronavirus hit, CHLA has been a leading voice and advocate for policies that protect small and mid-sized independent mortgage bankers and the borrowers they serve:

Critical Need for Liquidity Facility for Mortgage Servicers

- CHLA has been one of the earliest and strongest proponents of a liquidity facility – sending a [letter](#) on March 18 to Treasury, FHA, and FHFA seeking assistance in making advances. CHLA has emphasized that any liquidity facility must be broadly and equitably available to all servicers.
- A March 30 CHLA [op-ed](#) in National Mortgage News made the case for a liquidity facility – pointing out that: (1) liquidity for advances is not a “bailout,” (2) a liquidity facility for servicers is **not** risky since it will be backed by advances that will be recovered, and (3) ultimately, it is consumers that will be hurt by a failure to provide liquidity, both with new loans and servicing.
- CHLA also wrote a [letter](#) to FHFA on March 17 calling for a suspension of proposed GSE seller/servicer liquidity and net worth increases during the coronavirus crisis – and arguing that they were not appropriate at all for smaller IMB seller/servicers.

Fixing Market Dislocations Arising from Forbearances

- CHLA was an early leader in explaining to federal policy makers how market dislocations – particularly in aggregator purchase and pricing policies of GSE loans – are caused by the risk of a borrower invoking forbearance on a properly underwritten loan before it is sold to the GSEs.
- CHLA first explained this problem in detail in a [letter](#) to top mortgage officials, arguing that aggregators that receive liquidity assistance should be required to buy loans with forbearance.
- Subsequently, CHLA wrote a [letter](#) on April 14 to FHFA, Fannie and Freddie recommending that Fannie and Freddie to buy loans with forbearance, without imposing penalties or fees.
- As Bloomberg News, Scotsman Guide, and Inside Mortgage Finance reported, when Fannie and Freddie announced they would buy loans with forbearance but only with a 700 basis point fee, CHLA strongly criticized the step as “**totally inadequate**,” calling on them to drop the LLPA fees.

Refinance Option for Borrowers That Regain Their Jobs and Resume Payments

- On May 6, CHLA sent a [letter](#) to FHA, FHFA, VA, and RHS urging them to create a program similar to the GSE HARP program – to allow borrowers in forbearance who regain their job to refinance their loan, notwithstanding program rules disqualifying loans with recent defaults.