



CHLA Initiatives – COVID 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 [oped](#) 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 FHFA a [letter](#) 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.

Opposition to GSE 700 BP Fee/FHA Indemnification for Loans with Forbearance

- 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](#) to FHFA, Fannie and Freddie on April 14 asking 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.
- Subsequently, when FHA announced it would charge a 20% first loss indemnification loan for validly underwritten loans that go into forbearance post-closing, CHLA immediately call for FHA to rescind the penalty and re-work their policy to be more reasonable.

Refinance Option for Borrowers That Regain Their Jobs and Resume Payments

- On May 6th, CHLA sent a [letter](#) to FHA, FHFA, VA, and RHS asking 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.