



August 24, 2022

Hon. Julia Gordon  
Commissioner  
Federal Housing Administration  
Department of Housing and Urban Development  
451 7<sup>th</sup> Street SW  
Washington, DC. 20410-8000

Ms. Alanna McCargo  
President  
Government National Mortgage Association  
Department of Housing and Urban Development  
425 3<sup>rd</sup> Street SW  
Washington, DC. 20024

Dear FHA Commissioner Gordon and Ginnie Mae President McCargo:

The Community Home Lenders of America (CHLA)<sup>1</sup> writes to ask the Federal Housing Administration (FHA) and Ginnie Mae to work together to develop changes to FHA loss mitigation and Ginnie Mae loan re-pooling requirements, to address problems created by a rising interest rate environment.

Rising mortgage rates are creating problems for Ginnie Mae issuers carrying out loss mitigation for defaulted FHA borrowers. Typically, issuers implement loss mitigation by buying an FHA loan out of a Ginnie Mae pool, modifying the loan, and then selling the loan back into a Ginnie Mae pool.

This was not a problem when mortgage rates were stable or falling. However, Ginnie Mae issuers are now facing two unpalatable options - either an increase in the mortgage rates that could make it difficult to carry out the loss mitigation or the re-sale of loans into Ginnie Mae pools at steep losses to the issuer.

Former Ginnie Mae President Ted Tozer recently posted a **blog** that offers a potential solution to this problem. His proposed solution offers a win/win/win/win for the borrower, issuer, FHA, and Ginnie Mae.

Here is an excerpt of Mr. Tozer's analysis and suggestions from this blog:

**“Typically, the solution to help a borrower stay in their home and avoid foreclosure was to add the delinquent payments to the loan amount, extend the term, and move the interest rate on the mortgage to the current market. But because today's rates are rising, moving interest rates to the current market likely wouldn't help maintain borrower stability.**

**Instead, loan guarantors should consider adopting the following waterfall for loans that would not require the buyout of the mortgage from the MBS pool or the loan's note rate to be increased.**

- 1. Determine whether the borrower can afford a payment that would repay the servicer, in 12 monthly payments, the delinquent payments plus their monthly mortgage payments. Creating balloon payments at the end of the loan should be minimized because loan guarantors have limits on how much can be added to the end of the loan over the life of the loan. The capacity to create balloon payments for future borrower hardships needs to be conserved.**

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<sup>1</sup> CHLA is the only national trade association focused exclusively on small and mid-sized independent mortgage banks (IMBs).

2. If the borrower can't afford the additional payment to reimburse the servicer for delinquent payments, the loan guarantor should allow for the delinquent payments to be added as a balloon payment to the end of the loan. The borrower should only be required to make their original mortgage payment.
3. If the borrower can't afford their original mortgage payment, the guarantor should allow the servicer to add the delinquent payments to the end of the loan and defer enough principal to allow an affordable mortgage payment to be created by reamortization of the loan over the remaining term of the mortgage.”

CHLA asks that you seriously consider this proposal.

CHLA member FHA originators and Ginnie Mae issuers would be happy to work with FHA and Ginnie Mae on such a proposal, offering our mortgage market and securitization perspective and experiences.

Thank you for the opportunity to present these recommendations.

Sincerely

COMMUNITY HOME LENDERS OF AMERICA