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FHFA Limits Servicer Obligations for Loans in Forbearance

The Federal Housing Finance Agency (FHFA) has clarified the obligations of Fannie Mae and Freddie Mac's (the GSEs') servicers to investors during the COVID-19 crisis. Servicers have been told to extend forbearance to homeowners who are experiencing financial distress as the result of the pandemic and, as of last Friday, **approximately 5 percent** of GSE loans had entered forbearance agreements.

Servicers are **contractually required** to forward monthly principal and interest payments to mortgage-backed security (MBS) investors even when homeowners are not making payments on the underlying loans. While servicers maintain reserves for this purpose, it has been feared that the expected high utilization of forbearances may become an unmanageable burden, **especially** for smaller companies.

Today's information from FHFA makes it clear that the rules applied to servicers of GSE-backed loans in the case of **natural disasters** will apply to the declared COVID-19 emergency. Servicers need only advance **interest** payments for loans that have missed payments for four months. This brings the obligation limit for Fannie Mae loans and servicers into alignment with the current policy at Freddie Mac.

"The four-month servicer advance obligation limit for loans in forbearance provides stability and clarity to the $5 trillion Enterprise-backed housing finance market," said FHFA Director Mark Calabria. "Mortgage servicers can now plan for exactly how long they will need to advance principal and interest payments on loans for which borrowers have not made their monthly payment."

Mortgage loans that are delinquent for more than four months are typically purchased out of MBS pools by the Enterprises, however, under natural disaster rules, loans remain in those pools even as the GSEs take over responsibility for investor payments. Today's memorandum instructs services to treat the current situation as a disaster and leave loans in their existing pools. This change reduces the potential liquidity demands on the GSEs from purchasing large numbers of delinquent loans and loans in forbearance during the COVID-19 crisis.

The announcement says that FHFA and the GSEs will **continue to monitor** the impact of the coronavirus national emergency on the housing finance market and update policies as necessary.

National Average Mortgage Rates



Mortgage News Daily

	Rate	Change	Points
30YR Fixed	7.30%	+0.12	0.00
15YR Fixed	6.92%	+0.09	0.00
30YR FHA	6.89%	+0.07	0.00
30YR Jumbo	7.40%	+0.03	0.00
7/6 SOFR	6.80%	+0.31	0.00
30YR VA	6.90%	+0.07	0.00

Rates as of: 11/10

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.43	-0.62
10 YR Treasury	4.9860	+0.0952
30 YR Treasury	5.3557	+0.0737

Pricing as of: 11/10 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Oct 28	192.6	-1.23%
Building Permits	Sep	1.4M	+0.43%
Housing Starts	Sep	1.22M	-4.24%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Aug	71.2	0%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Oct	29	-9.38%

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Read the FHFA Release

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With 27+ years of expertise in mortgage banking you can be confident in my knowledge and abilities to deliver a seamless loan transaction while providing personalized service.

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