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OVERSIGHT OF HOUSING REGULATORS

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED SIXTEENTH CONGRESS

SECOND SESSION

ON

EXAMINING THE ACTIONS THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT AND FEDERAL HOUSING FINANCE AGENCY HAVE TAKEN TO IMPLEMENT THE CARES ACT, ADDRESS AND/OR MINIMIZE THE ECONOMIC IMPACT OF THE ONGOING COVID–19 PANDEMIC, AND OTHER RECENT REGULATORY DEVELOPMENTS

JUNE 9, 2020

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OVERSIGHT OF HOUSING REGULATORS

TUESDAY, JUNE 9, 2020

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 10 a.m., in room SD–G50, Dirksen Senate Office Building, Hon. Mike Crapo, Chairman of the Committee, presiding.

OPENING STATEMENT OF CHAIRMAN MIKE CRAPO

Chairman CRAPO. This hearing will come to order. The hearing room has been configured to maintain the recommended six-foot social distancing between Senators, witnesses, and other individuals in the room necessary to operate the hearing, which we have kept to a minimum.

This will be a hybrid hearing. Some Members will be here in present, the witnesses are here in person, and others will be coming in by video conference.

I remind everyone, once you start speaking there will be a slight delay before you are displayed on the screen, if you are coming in remotely. To minimize background noise, please click the Mute button until it is your turn to speak or ask questions. If there is any technology issue, as usual, we will move to the next Senator until it is resolved.

I remind all Senators and the witnesses that the five-minute clock still applies. You should all have a box on your screens, those of you who are operating remotely, that is labeled Clock, that will show the time that is remaining. At 30 seconds I am going to try to remember to gently tap the gavel to remind Senators that their time is expiring.

To simplify the speaking order process, Senator Brown and I have again agreed to go by seniority for this hearing.

With that we welcome our Federal housing regulators, The Honorable Benjamin S. Carson, Secretary of the Housing and Urban Development, and The Honorable Mark A. Calabria, Director of the Federal Housing Finance Agency. Welcome back to both of you.

Today we will receive testimony on your agencies' recent activities, operations, and ongoing efforts to promote access to quality affordable housing while also ensuring the safety and soundness of the housing finance market. Your agencies' missions have never been more critical. The disruption of COVID–19 on the U.S. economy has hit homeowners and the housing market especially hard. We have already seen a huge number of mortgage borrowers enter forbearance, while many landlords are struggling to make ends meet, and countless renters are unsure whether they will be able to make their next payment.

In March, HUD and FHFA acted swiftly to prohibit foreclosures and evictions for millions of residential borrowers facing financial hardship due to the pandemic. Soon after, Congress passed the Coronavirus Aid Relief and Economic Security Act, or CARES Act, codifying and extending these protections and providing financial relief to renters.

Title IV of the CARES Act contains three housing provisions. Section 4022 imposes a 60-day eviction and foreclosure moratorium for single-family borrowers with a federally backed mortgage loan. It also allows struggling homeowners up to 1 year of loan forbearance.

Section 4023 extends similar relief to federally backed multifamily borrowers who are current on their mortgage payments. They can request up to 90 days forbearance so long as they do not evict a tenant or charge late fees solely for nonpayment of rent during the pandemic.

Section 4024 imposes a 120-day moratorium on evictions, fees, and penalties for tenants who live in multifamily units that participate in a Federal assistance program or have a Government-backed mortgage.

Title XII of the CARES Act provides $12.4 billion of emergency supplemental appropriations for HUD programs and activities to further soften the economic blow of the pandemic across the many communities that HUD serves.

In addition to implementing the CARES Act, HUD and FHFA have taken important actions to further protect borrowers and mortgage servicers during the pandemic. Both agencies have extended the eviction and foreclosure moratorium for qualifying homeowners through at least the end of June.

The agencies have also taken steps to ensure borrowers are not facing large, looming debt payments. Director Calabria recently reiterated that borrowers in forbearance with a Fannie Mae- or Freddie Mac-backed mortgage will not owe a lump sum at the end of the forbearance. FHFA has further announced a new payment-deferred option which allows borrowers who are able to return to making their normal monthly mortgage payment the ability to repay their missed payments at the time the home is sold, refinanced, or at maturity.

HUD has similarly implemented the National Emergency Partial Claim, which allows eligible FHA borrowers in forbearance to reinstate their loans by authorizing servicers to advance funds on their behalf. Like FHFA, repayment of any missed monthly payments is deferred until the back end of the loan.

In recognizing the undue burden that the pandemic has placed on the mortgage servicing industry, HUD and FHFA have acted quickly to address the liquidity gap. HUD has expanded issuer assistance to include the Pass Through Assistance Program, or PTAP, which allows servicers to apply for assistance in meeting principal and interest payments, and FHFA has announced that no mortgage servicer will be responsible for advancing more than 4 months of missed principal and interest payments on a loan.

While America is taking steps to return to work and relax stay-at-home orders, the recovery is only just beginning. I thank our witnesses for their swift and prudent actions to date and for their continued commitment and collaboration at this time.

This Committee is also focused on working with HUD and FHFA to identify and tailor overly burdensome regulations in an effort to create conditions that will lead to a forceful economic recovery.

Secretary Carson, I applaud you for spearheading the ongoing efforts to identify and eliminate regulatory barriers to affordable housing production in this country. This will play a big part in bringing about a stronger, quicker economic rebound.

Finally, the pandemic has underscored the need for a stable, well-capitalized housing market in times of stress. FHFA has recently taken up a crucial step toward safety and soundness in proposing a thorough, thoughtful regulatory capital framework for Fannie Mae and Freddie Mac. As Americans face financial uncertainty, it is long past time to make the hard decisions and address this last unfinished business of the 2008 financial crisis. Director Calabria, thank you for your considerable efforts here, and I look forward to our continued work together on this topic.

Thank you both again for joining us here today. Senator Brown.

OPENING STATEMENT OF SENATOR SHERROD BROWN

Senator BROWN. Thank you, Mr. Chairman. Thank you to our two witnesses, Dr. Calabria and Dr. Carson. Over the past 2 weeks, protesters have taken to the streets demanding justice, justice for Mr. Floyd, Ms. Taylor, and Mr. Arbery, and so many other Black Americans who have been killed in acts of extraordinary violence, too often at the hands of police.

Justice for millions of Americans who, for hundreds of years have lived under a system that perpetuates inequality and systemic racism. Protesters, young and old, Black and white, in urban and rural communities are all marching like generations before them, risking their lives, praying for and demanding justice and real change. They demand economic justice. Our society calls their work essential but pays too many essential workers so little that they cannot afford an apartment, much less dream to own a home.

Millions of American workers don't have a bank account. Saving for retirement is out of reach. They do not benefit when the Dow Jones hits 27,000. Americans are demanding reforms to our criminal justice system and equitable healthcare system that protects Black and brown mothers and their babies, and support for Black and brown communities so another economic crisis does not leave them further behind Wall Street and the wealthy and the privileged.

Both of you before us today are central to that fight for economic and racial justice. HUD's mission was shaped by our Nation's struggle for civil rights.

Chairman CRAPO. Senator Brown is speaking and is being broadcast but we cannot get the signal in this room, so we are going to have him continue his remarks. I apologize to our witnesses that you may not hear his introductory remarks before I go to your testimony.

Senator BROWN. OK. All right. Just 6 months—Dr. Carson knows the history—just 6 months after John Lewis and the foot soldiers of Selma were beaten crossing the Edmund Pettus Bridge, President Johnson signed a bill that created HUD to address the need for investment in communities that had been left behind.

Shortly after HUD's creation, the Kerner Commission warned that our Nation was moving toward two societies, one Black, one white, separate and unequal. It took the assassination of Dr. King for Congress to act on one of the central recommendations of that report, creating a fair housing law. Fifty years ago, Congress entrusted HUD with implementing the Fair Housing Act. Our country charged your agency, Mr. Secretary, with rooting out discrimination and actively working to make it easier for everyone to find and afford a home.

Fundamentally, we all pretty much want the same thing—a place that is safe in a community we care about, where we can get to work and our kids have good school with room for our family, whether that is three children or an aging parent, or a beloved pet. All of us should get to define what home looks like for all of us, for each of us. We should be able to find it and afford it without crippling stress every single month.

Everyone should have the opportunity to build wealth for their family by owning a home. To make that reality the reality for everyone, we cannot rely on the housing market to sort itself out, not when centuries of discrimination are baked into it, when we have decades of laws that distort the market in favor of banks and against families. That is what your job is, to the two witnesses, to fix that.

Secretary Carson, under your leadership, instead of addressing the deep inequities in our housing system, you are trying to systematically dismantle basic civil rights protections that previous generations marched for and endured beatings for and laid down their lives for. Your department refuses to do its job of promoting economic inclusion and working to undue the historic Government-driven patterns of housing discrimination like redlining and restrictive covenants. You want to abandon the legal standard affirmed by the Supreme Court, the legal standard used to bring housing discrimination lawsuits.

That is not just my opinion. Mr. Chairman, look at letter after letter that civil rights leaders sent to your agency opposing your actions. And both heads of the agencies before us today are pushing plans that will make home ownership more expensive, harder to get, particularly for borrowers of color. This is what happens when the ideologues in this Administration push Wall Street's agenda instead of what regular people actually need.

Before this pandemic hit, families of color were spending more of their income on housing than were white families, and they were disproportionally likely to experience homelessness. This was fueled, in part, by the Federal Government's failure to protect Black and brown and immigrant borrowers from predatory subprime lenders before the 2008 crisis, despite knowing that lenders were targeting them. Forty years of gains in Black ownership and wealth were eviscerated.

Now Black families are experiencing this public health and economic crisis with just one-tenth the wealth of white families. They are more likely to work at jobs where their corporate employers did not pay them enough to begin with.

We are dangerously close to repeating mistakes of a decade ago. Nearly half of Black and 40 percent of brown renters report that they are unlikely to be able to make their next payment. Think of that—almost half of them unlikely to be able to make their next payment.

We are in the middle of a crisis, and you either do not know, Mr. Secretary and Mr. Calabria, you either do not know or you do not care. You are plowing ahead with undoing civil rights protections while in Ohio and across the country they are opening eviction courts. Twenty million Americans are unemployed.

Some have been able to pay their rent or the mortgage but only because we passed emergency unemployment insurance earlier this year. It is set to expire this summer, at the end of July. President Trump and Leader McConnell are refusing to extend it. Of course we should not be surprised. It is part of Republican leaders' decades-long effort to undermine and weaken this social insurance, unemployment benefits, that all of us pay into. Leader McConnell and President Trump see no urgency. Those are McConnell's words, no urgency to help people.

Democrats have plans to get more help directly to working families. Our emergency rental assistance bill provides $100 billion to help with rent and utility bills so we can help renters avoid impossible choices between rent and groceries or prescriptions or draining their savings or going to a payday lender. It has already passed the House. It sits on the Majority Leader's desk, collecting dust. For millions of families the bills keep coming, the clock keeps ticking, the stress keeps mounting.

Before this pandemic, President Trump and his wealthy cabinet members either did not realize or did not care that behind the rosy stock market data this economy was already broken for millions of workers, and for Black and brown workers it never worked for many of them to begin with. And now the Trump administration either does not realize or does not care that the bottom is falling out for these families.

People in this country, in every one of our States, in Hawaii and in Montana and in Minnesota and Rhode Island and Idaho and Ohio, people are tired of the lack of action and the lack of accountability. Before the pandemic, the Trump administration's idea of housing reform was to, quote, "level the playing field for Wall Street." That is kind of a definition of out of touch.

Enough is enough. Today we want to hear that you understand, Mr. Secretary and Mr. Calabria, we want to hear that you understand both the magnitude of the current crisis and the inequities built into our housing system for generations. It is about time you are actually going to do something to fix it instead of making it worse.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you, Senator Brown. I am going to wait until he adjusts his phone a little bit. I think we are getting there.

We will now move to our witnesses, and Secretary Carson, why don't you begin first.

STATEMENT OF BENJAMIN S. CARSON, SECRETARY, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. CARSON. All right. Thank you, Chairman Crapo and Ranking Member Brown—I guess I am glad I did not hear most of what you had to say—and Members of the Committee. Thank you for this opportunity to discuss the steps the U.S. Department of Housing and Urban Development is taking to maximize our Nation's response to the COVID–19 national emergency. These actions reflect both my work with the White House Coronavirus Task Force and the measures developed at HUD to protect the health and safety of the American public.

I want to begin by recognizing the unprecedented health care and economic challenges facing Americans today. This disease is impacting families and communities across the Nation. As HUD Secretary, my highest priority has been to ensure Americans don't lose their homes and to safeguard those at greatest risk of the virus, including homeless and low-income communities.

I also want to thank our Nation's medical professionals and first-line responders who have sacrificed so much to keep Americans safe and healthy. As a medical doctor, I am inspired daily by their unwavering commitment to their fellow citizens.

On March 27, President Trump signed into law the CARES Act. In total, the CARES Act provided more than $12 billion in funding to HUD programs. Recognizing the unprecedented nature of the global pandemic, I directed my staff to immediately begin the process of getting these funds to communities most impacted by COVID–19.

As of today, HUD has announced allocations for over $9 billion in funding. This includes $3 billion in CDBG funds, $4 billion in ESG funds, $685 million for the Public Housing Operating fund, $380 million for Tenant Based Rental Assistance, $800 million in Project Based Rental Assistance, $200 million in IHBG funds—that's Indian Housing Block Grants, $75 million for the Section 811 Mainstream Housing Choice Voucher program, and $65 million for HOPWA funds.

In the coming weeks, HUD will continue to expedite getting the funding provided by the CARES Act into the hands of communities.

Prior to the passage of the CARES Act, FHA acted quickly to help protect single-family homeowners who lost their jobs or were experiencing economic hardship as a result of COVID–19, by implementing a 60-day moratorium on foreclosures and evictions, which was subsequently extended through June 30. The CARES Act also provided a 120-day eviction moratorium for tenants in certain federally supported rental properties, including properties with FHA-insured single-family or multifamily mortgages.

FHA further announced a tailored set of mortgage payment relief options for single-family homeowners with FHA-insured mortgages who are experiencing financial hardship because of the pandemic. This includes CARES Act forbearance, which allows borrowers to request up to 6 months of forbearance and extend for up to 6 months. Also included was an extension period for calling a loan due for those with a Home Equity Conversion Mortgage.

FHA also implemented the COVID–19 National Emergency Standalone Partial Claim for borrowers on forbearance. This option will help eligible homeowners resume their mortgage payments and avoid a lump sum repayment of arrears by deferring repayment to the end of the mortgage.

Ginnie Mae expanded its pass-through assistance program, PTAP, to help address potential issuer liquidity challenges caused by the borrower forbearance requirements implemented by FHA and other Federal mortgage insurance programs. PTAP provides last-resort financing to cover the difference between issuers' available funds and scheduled payment of principal and interest to mortgage-backed security holders. The timely payment of P&I to mortgage-backed holders, consistent with Ginnie Mae's statutory guaranty, is essential to the liquidity of the MBS market and the confidence of investors who finance housing through the Ginnie Mae program.

In December 2018, President Trump signed Executive Order 13853, establishing the White House Opportunity and Revitalization Council. I have had the honor of chairing this Council since its establishment.

In response to the ongoing and unprecedented global pandemic, President Trump has directed me and the Council to utilize its talented structure and build on its original intent with a renewed focus to expand efforts to protect and promote our most vulnerable communities. The Council will work to ensure that minority and underserved communities are kept safe from this invisible enemy, now and into the future. In the coming weeks, the Council will identify different policy approaches needed to help advance opportunity for these communities.

Thanks to the leadership of President Trump, I am proud of the work this entire Administration, and especially the 7,500 employees of HUD, are doing each and every day to fight this invisible enemy and meet the needs of the American people. I am grateful to this Committee for its bipartisan commitment to meeting this challenge. Thank you.

Chairman CRAPO. Thank you, Secretary Carson. Director Calabria.

STATEMENT OF MARK A. CALABRIA, DIRECTOR, FEDERAL HOUSING FINANCE AGENCY

Mr. CALABRIA. Chairman Crapo, Ranking Member Brown, and distinguished Members of this Committee——

Chairman CRAPO. Could you turn your mic on?

Mr. CALABRIA. Chairman Crapo, Ranking Member Brown, and distinguished Members of the Committee, thank you for the invitation to appear at today's hearing. Let me also thank you, Chairman Crapo, for those very kind words at the beginning.

Let me also make it very clear, there is not a single civil rights protection that FHFA has rolled back during my time, not one. Any assertions to the contrary are simply false.

We have acted swiftly at FHFA, we have acted prudently, and we have prioritized borrowers and renters in the housing market from day one. We have worked in close partnership with FHA and Ginnie Mae. I want to recognize and thank Secretary Carson, HUD Deputy Secretary Montgomery, and acting Ginnie Mae President Seth Appleton for their partnership and leadership.

Let me also thank the employees of FHFA. They are our greatest asset. Their well being has been my top priority. Our teleworking flexibilities have enabled our employees to be safe and manage at-home obligations while continuing to fulfill the agency's vital mission.

We have also continued to foster an environment where everyone at FHFA feels safe, respected, and valued for their differences. The unrest across our Nation in recent weeks reaffirms why fairness, diversity, and inclusion are core values to me personally and our agency. FHFA has one of the most diverse workforces among Federal regulatory agencies. Our diversity is, and will remain, a key source of FHFA's success.

During this crisis, Americans should not have worry about losing their homes. FHFA has worked closely with our regulated entities to support borrowers and renters while ensuring the proper functioning of the mortgage market, both during and after this crisis. Our actions have been and continue to be data driven.

The actions I will discuss today apply to mortgages backed by Fannie Mae and Freddie Mac. With that said, FHFA's policies have helped set standards for the entire market. For homeowners facing foreclosure before COVID–19, we suspended all foreclosures and evictions through at least June 30th. We will extend that date if necessary. For borrowers financially impacted by COVID–19, we allowed homeowners to take a time-out from mortgage payments through forbearance.

We then announced that borrowers in forbearance who return to making monthly payments can repay what they missed when they sell their home or refinance their loan. We have emphasized that those who can make their mortgage payments should continue doing so.

Of borrowers with enterprise-backed mortgages in forbearance, about one-third continue to make payments. Last month, FHFA directed the enterprises to treat such borrowers as current if they want to buy a new home or refinance.

To support renters, FHFA and the enterprises developed a multi-forbearance program for the first time in history. Importantly, we mandated that tenants cannot be evicted for the nonpayment of rent during forbearance. At FHFA's direction, the enterprises created online look-up tools that allow renters and borrowers to determine if they are eligible for eviction protection or forbearance.

We have also helped clarify consumers' options. We updated the scripts that servicers use when talking to borrowers about forbearance. We have emphasized to servicers in the public that no lump sum is required at the end of forbearance. We partnered with the CFPB to launch the Borrower Protection Program, and FHFA helped develop a website that consolidates Federal information about mortgage relief options, renter protections, and how to avoid scams.

We have also taken action to support the proper function of the mortgage market. To ensure the safety of market participants, FHFA authorized several loan-closing, employment verification, and appraisal flexibilities at least through June 30th. We instituted a 4-month limit on servicers' obligations to advance principal and interest payments on loans in forbearance. This provides stability and clarity to the mortgage market.

To support lenders' liquidity, FHFA enabled the enterprises to purchase certain eligible single-family mortgages in forbearance. Prior to this, the enterprises had never purchased mortgages in forbearance. Our policy provides a new option to lenders and to the enterprises.

I am proud of what FHFA has done to help homeowners in the housing market deal with this crisis. At this point, as referenced in my written testimony, I am encouraged by what the data tell us about the state of the market, the capacity of servicers, and forbearance rates.

But this does not mean all is well. The crisis has provided ample evidence of the critical vulnerabilities in our mortgage system that put taxpayers, borrowers, and our housing market at risk. Most notably, Fannie and Freddie have lacked the capital to withstand a serious downturn of the housing market. This undermines their countercyclical role and jeopardizes their core important mission.

To provide the enterprises a stronger foundation on which to weather periods of financial distress such as COVID–19, on May 20th, FHFA released a re-proposed capital rule. This rule would help each enterprise remain safe and sound to fulfill its statutory mission across the economic cycle. It is essential to build a strong, resilient housing finance system that supports sustainable and affordable home ownership.

However, I should emphasize only Congress can enact the reforms necessary to fix the structural flaws in our housing finance system. To that end, next week I will submit FHFA's annual report to Congress that includes several legislative recommendations. Reform is long overdue. Strengthening FHFA's regulatory and supervisory authorities simply to be on par with what other safety and soundness regulators have will ensure the enterprises will be well regulated and capitalized outside of conservatorship.

I look forward to the opportunity to hear your questions. Thank you for the opportunity to be here this morning.

Chairman CRAPO. Thank you, Director Calabria, and I look forward to your recommendations for resolution of our housing system.

My first question will be to both of you. As you both know, Congress acted boldly and aggressively in the CARES Act to help renters and homeowners make it through this economic crisis, including through extending forbearance, prohibiting evictions, and prohibiting foreclosures across a broad portion of the market.

Now, 10 weeks later, from your perspective, could you briefly tell me, how would you characterize the current state of the housing market and what are some of the policy tradeoffs that we need to consider now as we move forward toward the next COVID–19 response?

Secretary Carson, do you want to go first?

Mr. CARSON. Yes. Well, clearly this is a very serious time period that we are in, which was the reason that we acted so quickly in conjunction with this Committee and other portions of the Government, because if a person is worried about their health, the health of their family, the last thing they need to be worried about is whether they are going to lose their home, and, therefore, quickly enacting the forbearance for homeowners, you mentioned the partial claim, which is interest-free, by the way. Payments are tacked onto the end of the mortgage.

There are a host of other forbearance measures that we are taking. All of these have had a very important positive impact, so that things have not deteriorated to the level that most people thought that they would. We are still not resting on any laurels. We are still going to be extremely vigilant in looking at the market. You know, everybody, I think, was taken aback by last month's report. We expected a 22 percent decline in the market and instead had a 0.6 percent increase.

You know, there are a lot of interesting things going on. It speaks to the impact of the interventions that have been done but also to the resilience of American people and their willingness to do what it takes. You know, most renters, over 90 percent have continued to be able to pay their rent.

So it is really quite impressive what the American people are able to do, and we have to recognize that the underlying economic infrastructure of this Nation is actually very strong. You know, we were just on a rocket ship, and then this coronavirus came along, and we intentionally had to stop the economy. But remember, that underlying factors that created that strong economy are still there. And what we have attempted to do is bridge the gap so that we don't have to start all over again, and that we can just resume the upward trend for everyone.

Chairman CRAPO. Director Calabria.

Mr. CALABRIA. Let me start with the forbearance numbers. The most recent numbers for Fannie and Freddie loans are about 6.6 percent. We have seen, over the last few weeks, those numbers start to stabilize, and, in fact, within the GSE portfolio you see almost as many borrowers canceling their forbearance programs as you see rolling on.

I was certainly concerned that both going into May and going into June we would see spikes in the forbearance rates in Fannie and Freddie's books, and we did not. So I think we have seen a stabilization.

As was mentioned in my remarks, about a third of those borrowers continue to make their payments, which I think is a real positive. Clearly, the biggest problems facing the economy going forward, which ultimately impact the housing market, is employment. So writ large, I think the single most important thing we can do is figure out how to put people back to work. I think that is the primary focus.

Let me, last, say that I certainly, over the last few months, have been concerned about what the direction of the housing market would be coming out of COVID–19. I have to say I have been very pleasantly surprised. Purchase mortgage applications, for instance, in recent weeks, have been even higher than they were a year ago. We have seen home sales really pop back up. And I would both emphasize that the home sales activity and the mortgage purchase activity I think have been far stronger than anyone projected.

Seemingly, it is the case that apparently a lot of people in quarantine spent their time looking at homes online, because again, a number of them decided to buy homes when we came out of this.

So I would emphasize, I think the housing market itself is in a relatively strong point, and where we really need to be focused on primarily is the labor market.

Chairman CRAPO. All right. Thank you to both of you. My time has expired. Senator Brown.

Senator BROWN. Thank you, Mr. Chairman. Dr. Carson, do you know that people working in jobs right through the pandemic—retail workers, millions of retail workers, custodians, food service people, security people, home health aides—do you know that people working in these jobs right through the pandemic don't get paid enough to afford to rent a modest one-room apartment?

Mr. CARSON. I do, and that is one of the reasons that we are concentrating on the people who were most severely affected by this pandemic, and what are the reasons that they were most severely affected. One of those reasons——

Senator BROWN. Mr. Chairman—I am going to cut you off there, Dr. Carson. You act like you talk about the economy was on a rocket, going up like a rocket when the pandemic hit. The fact is these are workers in the economy that have been working through the pandemic, the workers I'm talking about, they don't—because corporations are not paying them enough.

We had an affordable housing crisis in this country long before the current public health crisis, upon which you blame the entire economic problems in this country. Your agencies are making things worse, whether it is through budget cuts to affordable housing or trying to make mortgages more expensive or harder to get or dismantling fair housing protections.

So I want to turn to that. Secretary Carson, I have been writing to you, and many Members of this Committee have joined me in this, from Minnesota and Hawaii and Nevada and Montana and Rhode Island. All of us have been writing to you about HUD's decision to not enforce our Nation's fair housing law.

Let me give you some examples. NAACP's legal defense fund said housing and HUD's FHA proposal is a, quote, "blatant and egregious attempt to undermine the premise of the Fair Housing Act, is an absolute regression in fair housing practices." Urban League President, Marc Moriel, said that HUD's proposed disparate impact rule is directly at odds with the Fair Housing Act in its basic purpose, and if enacted would destroy disparate impact liability as we know it.

A coalition of 45 civil rights groups, including Unidos and the Leadership Conference of Civil and Human Rights, told HUD the same rule was, quote, "in direct contradiction to HUD's mission, decades of legal precedent, and the Supreme Court's recent decision in inclusive communities," unquote. Now these 45 groups—these 45 groups, Mr. Secretary, represent tens and tens and tens of millions of Americans. This is our country. You are ignoring them and if these comments come even partially true, it will be devastating for equality in this country.

Why are you still moving forward with these proposed rules, against the wishes of tens and tens of millions of Americans?

Mr. CARSON. You know, I abhor anything that even smacks of unfairness for people, but we also want things that actually work, not things that have been there for decades and have not resulted in any improvement. Therefore, we are doing things a little bit differently. You know, when we are looking at AFFH, we are looking at the real reason that there is segregation. The real reason that there is segregation is not because there is a bunch of George Wallaces standing in the doorways. It is because people can only afford to live in certain places. And, therefore, we are moving toward a model where we encourage the development of affordable and decent housing, not just in one area but throughout lots of different areas.

Senator BROWN. Mr. Secretary, there is no real evidence that that is what you are doing. There is certainly no evidence that this Administration wants to see higher wages so that workers actually can afford decent places to live—opposition to the minimum wage, taking away the overtime rules, 100,000 people in my State lost thousands of dollars in overtime because this Administration, of which you are so happily a part, always comes down on the side of corporate interest, against workers.

Let me go somewhere else on this, my last question, Mr. Chairman. Last week, the city of Columbus opened up its convention center to begin processing evictions. Courts are doing that all over the country. One advocate told me about a client who was trying to avoid eviction because her son, who is deployed in the Navy, is returning home and she does not want him to find her a shelter.

We are in a national crisis. Reflect on that for a moment. Twenty million people have lost their jobs. We are using arenas as eviction courts in cities around the country. Dr. Carson, you are the top housing authority in this country, so tell us—you are the person—tell us how many people does HUD expect will lose their homes, how many does HUD expect will become homeless in the weeks and months ahead? How many?

Mr. CARSON. We will be working very hard to make sure that no one who we——

Senator BROWN. No, Mr. Secretary, how many do you expect—already some have become homeless. These eviction courts, many of them continue to operate. We know when the deadline comes off, when it expires, we know more people will be homeless. The point is, we have, and everybody on this Committee, every Democrat on this Committee, supports $100 billion in the emergency eviction fund and $75 billion, Jack Reed's bill, the unemployment emergency foreclosure fund, to keep people from losing their homes. Twenty million Americans unemployed. Half of Black renters surveyed told the U.S. Census they have little or no confidence they can pay their rent next month.

Do you want to answer the simple question, how many people are going to be homeless? How many people are going to lose their homes? And what are you, as an Administration, going to do about it when President Trump and Senator McConnell simply say "there is no sense of urgency. We do not have to do another package. We do not have to fix this. We will just let happen what is going to happen"?

Thank you, Mr. Chairman.

Chairman CRAPO. Senator Scott.

Senator SCOTT. Thank you, Mr. Chairman, and thank you to both of the panelists for being here this morning. I want to continue on the eviction conversation. I think it is really an important conversation for us to engage in. And perhaps Senator Brown's passion is well placed. There is a lot of fear around evictions. There is a lot of fear around people being able to pay their rent.

The CARES Act contains extensive measures on eviction moratoriums for households renting in apartment buildings that are financed by federally backed mortgages. We did this to make sure that families would not end up on the streets during a pandemic and their ensuing job losses. But as we pivot to a recovery and better job numbers, my question is this. As you think through the eviction conversation, can the moratorium actually make it harder for renters? Are they not accruing a bigger and bigger balance that they have to pay 1 day, and will that not actually lead to more evictions and not less evictions?

So I think there is a way, and I do appreciate his passion. I say that sincerely. But I think the other side of the coin is that we may be setting people up for long-term failure if, in fact, we don't start looking at the picture from the end of the crisis back as opposed to at the beginning of the crisis forward.

Either panelist.

Mr. CARSON. Senator, that is a very astute observation, and, you know, the fact of the matter is when we extend the forbearance and people still owe money, that is not helpful. What is helpful is trying to create an environment such as we were enjoying a few months ago, where people have employment, people have opportunities to climb the ladder.

We are very interested in creating affordable housing in lots of different places, and those are the kinds of things that really empower people. And we are very interested in programs where people can be able to save some money, so that they can actually make a down payment on a home, because that is the principle mechanism of wealth accumulation in this country. We are not interested in continuing a bunch of old programs that kept people impoverished for generations.

Senator SCOTT. Thank you. Director, anything to add to that?

Mr. CALABRIA. Thank you, Senator. I think you did touch upon a very important point, which is, you know, fundamentally, what we want to be able to do is grow the jobs and income so that people can pay their rent rather than simply try to avoid evictions. Although I certainly will note that we moved very quickly before the CARES Act to put a moratorium on evictions for Fannie and Freddie loans. We will certainly extend that if necessary. It currently goes to June 30th. But the fundamental point of how are we growing jobs income, how are we dealing with lack of housing supply, I think all of these things are critical to deal with.

Senator SCOTT. Thank you very much. One final question. This is on forbearance measures. Director and Secretary, as far as I can tell you two have been very receptive and open, and frankly, we have had many conversations. We do not always agree on the outcome but at least you are both available for that conversation, so I thank you both for that.

The GSEs and the FHA have been working with lenders and servicers to implement the extensive forbearance measures we put in through the CARES Act. For the Director, you and I have spoken on this before, but as of today can you give me an update or an assessment of the forbearance assistance being provided to borrowers in loans owned by the GSEs, as well for Secretary Carson, can you give me an update or assessment on forbearance through the FHA?

Mr. CALABRIA. The current GSE numbers, as of this morning, are 6.6 percent of Fannie and Freddie loans in forbearance. I will note about a third of those are continuing to make their payment, and we have seen that flatline over the last couple of weeks. So it certainly seems to have stabilized.

Senator SCOTT. Good.

Mr. CARSON. And, you know, last week was actually the first time started going back in the other direction. We are at 12.4 percent right now, which is a much smaller number than had been anticipated and predicted by many. We will continue to work extremely hard to push that down further.

Senator SCOTT. I only have about 30 seconds left. Would you agree that with the surprising job numbers in May that perhaps the worst of it is over, and that as we start climbing out, getting folks re-engaged in their monthly responsibilities, is a good thing long-term for their savings and retirement funds? Because ultimately, the one thing I keep thinking about are people who have limited incomes and limited savings, the deferral has been helpful, and that is good news. But I am afraid of creating an issue where that one, two, or 3 months divided over several months is still a bit too much for people to absorb. So the faster we get back to normal, the better off we will be, especially as the economy starts to percolate a little bit.

Mr. CARSON. You are so right, Senator, and that is why it is so very important that we utilize the information that we have learned about COVID–19 so that we can live with it and not be dominated by it.

Senator SCOTT. Thank you, sir. Thank you both.

Chairman CRAPO. Senator Reed.

Senator REED. Thank you very much, Mr. Chairman. Director Calabria, let me direct some questions to you. I do understand that through your forbearance programs that people have been temporarily forgiven from their mortgage requirements, but at the end of that forbearance period, which will terminate, thousands and thousands of people could be foreclosed on their homes. Similarly, renters could be evicted. Is that the real situation we are looking at?

Mr. CALABRIA. So Senator, we certainly want to minimize that, and I want to emphasize that within Fannie and Freddie loans nobody will be required to make a lump-sum payment. So our default option is to add that to the end of the loan or whenever the house is paid off. So we are really trying to make sure that there is no payment shock at all, there is no change in the monthly payment for the borrower or the renter, and we are trying to be able to make sure that people can get current again as much as we can.

So certainly we are really focused on trying to minimize how many of these loans actually eventually go into real delinquency or into foreclosure, so we are certainly very much focused on that.

Senator REED. Well, but the reality is that legally that landlord or that mortgage holder can walk in the next day, if the next payment isn't made, even if you are tacking on the forbearance at the very end of the loan, and say, "You have not paid, and you are out." And that is an incentive that many—unfortunately, I do not think can avoid.

You have situations, also, where there are individual mortgages that are not federally related, so they already could have been foreclosed. But the situation, I think, is such that we are looking at—and you put your finger on it, in one sense—we are looking at a real employment problem and a funds problem, that even if your forbearance is tacked on at the end, people still might not be able to pay.

And that would suggest to me that we need to do several things. First, we have to extend unemployment compensation, because many of the people who are sort of—as you have alluded to and so has the Secretary—are still paying, are doing so only because they are getting unemployment compensation, enhanced unemployment compensation.

But two, we have to go right to the source of the problem, provide resources to individual mortgagors and renters so that they can basically pay their rent or their mortgage, and in addition, it takes the pressure off the landlords and the banks, so that they actually have funds.

Can you conceive of a program—would not that make more sense than just simply stopping one day and crossing our fingers and hoping everything is OK?

Mr. CALABRIA. Well, Senator, I certainly agree that top-line—the point about this being fundamentally a jobs income issue and do think that is where we should focus. I do want to say, in terms of Fannie and Freddie loans in forbearance, generally borrowers do not walk away from their home if there is positive equity, and we are seeing less than 1 percent of these borrowers across the board in a negative equity position.

So as long as we have a strong housing market, which again, is an open question—I certainly do not have a crystal ball in that regard—but in the strength of the current housing market, I do not think there will be a lot of borrowers walking away. But that does not change the fundamental point you raise, which is absolutely correct that this is fundamentally an income jobs issue.

Senator REED. And we have to deal with getting the income to the people, through unemployment compensation together with some subsidy or some help for their rent or their mortgage. Otherwise—and again, I do not see anyone wanting to walk away from their house——

Mr. CALABRIA. I agree.

Senator REED.——what I do see is people wanting to go in there and foreclose on a house and sell it to someone else at a profit. That is the way the system seems to operate, to me, and that would be quite—that would be an option that they will have once we stop forbearing and we stop providing unemployment compensation benefits.

So again, I think this is something that we have to take very seriously. Rhode Island Housing has estimated that in Rhode Island 30,000 individual households will be at risk of additional foreclosure when the unemployment benefits terminate. They will be out on the street very quickly. And we know, also—and one of the things about this crisis is most of those households will be minority households. They do not have the resources, they do not have the financial support, they do not have the money stashed away to make it a couple more months. They will be the first ones out.

And as far as affordable housing goes, we have tried, I know on the Appropriations Committee, to put money in for affordable housing as best we can, but it is a fraction of what we need. And this Administration has not been talking about affordable housing. They should talk about it more, and they should put more money in their budgets. We plus-up affordable housing approach.

So we have a crisis ahead of us, and simply sitting back and saying we will not demand immediate repayment of the forbearance and we are so pleased at some of the other things we have seen, misses the point dramatically. Thank you.

Chairman CRAPO. Senator Cotton.

Senator COTTON. Thank you, Mr. Chairman. Thank you for your testimonies today.

Mr. Calabria, I will address this at you. I have long had some concern about mortgaging servicing assets, mainly from the vantage point of homeowners who could get confused, or worse, they could run into problems if they try to resolve payment issues on their mortgage, when those homeowners are working with a company that is often not in their community, or the original bank through which they got their loan. However, markets have had to evolve since 2008, because of regulations and other factors, and that has pushed a lot of that mortgage servicing activity on banks and into independent servicers.

So that is the world that we live in now, but the concern for homeowners' financial protection is only more acute now as the CARES Act, well-intentioned though it was, could end up causing dislocation in this market because of the forbearance mandates and the costs mortgage servicers are having to shelter.

I know that you have said that the mortgage servicing industry as a whole is well capitalized, enough to withstand a large degree of forbearance and absorbing the impacts of the coronavirus lockdowns, but I just wondered if you could talk a little bit more about the upper limit to that capacity, forbearance take-up rate, for instance, that, in your opinion, might bring the mortgage service industry up to its limits.

Mr. CALABRIA. Thank you, Senator. Let me start with emphasizing that for the 346 nonbank servicers that Fannie and Freddie do business with, we get quarterly financials for each and every one of them. We also, for the larger of the nonbank servicers, we get weekly or even daily contact for some of them.

So first I want to assure you that our analysis on the servicer side is very data driven. We are looking at the financials for these entities. We are monitoring them. Every morning I get a heightened watch list of servicers, and I am happy to say that that list is shorter, it is smaller today than it was 2 months ago, and even 2 weeks ago.

And I would go as far to say that servicers are in a better financial position today than they were in March. When we have seen servicers who we thought were a little close to the line, if you will, we have worked with Fannie and Freddie to encourage those servicers to go out and raise liquidity. Many of them have, and many of them have raised substantial liquidity.

And so our estimates are that you probably could have, within the Fannie and Freddie book—and I really want to emphasize that that is our view on this, and that, of course, issues at Ginnie Mae or issues at private label may be different and are different—but for certainly in the Fannie and Freddie book you would really have to see forbearance rates get over 30 percent before there would really be stress among the industry, and that this would be systemic. And that is, of course, why we put the 4-month limitation in place, so that no servicer would be on the hook for 12 months.

Senator COTTON. OK. Thank you for that answer. Mr. Chairman, I have got to get off to chair a hearing of my own, so I yield back my time.

Chairman CRAPO. Thank you. Senator Menendez.

Senator MENENDEZ. Secretary Carson, it has been over 2 months now since the CARES Act became law. The Act provided $5 billion in desperately needed and flexible CDBG funding communities to address both the health and economic aspects of COVID response.

But today, HUD has only released about $3 of the funds Congress appropriated, and furthermore, there was a major lack of clarity from HUD on the rules around the first disbursement, which caused confusion and delays as the recipients desperately sought answers to questions like whether they could use the funds for PPE, COVID testing, or supporting small businesses.

So my question to you, Mr. Secretary, when does HUD plan to release the remaining CDBG funds provided under the CARES Act?

Mr. CARSON. Well, thank you very much for your question, Senator. As you probably know, the time in which we have released the first set of funds for CDBG was a record amount of time. The reason that was done without a Federal Register notice is because a Federal Register notice is not required in those situations for the money to be disbursed and for it to actually be used. And I hope we have made that clear to everybody.

Having said that, Federal Register notice for that will be coming out in the very, very near future.

As far as the——

Senator MENENDEZ. Do you have some timeframe here that—I mean, the reason Congress provided these monies is obviously to deal with the challenges that these municipalities have. They have greater demands, they have less revenues that are taking place as a result of all the social distancing measures that took place, so all their different forms of revenues are lessened. So this CDBG money, for some essential programs, is critical.

Mr. CARSON. Well, of the $12.4 billion, $9.1 billion of it has already been allocated, and much of that has been utilized already, using the grant formulas that are already in existence.

The last portion of that will be allocated by October 1st.

Senator MENENDEZ. Are you going to—by October 1st?

Mr. CARSON. Yes.

Senator MENENDEZ. That is way too late. That is not what Congress intended.

Mr. CARSON. Well, that——

Senator MENENDEZ. The demand is now, and there is no way that we should be waiting until October for that to happen.

Mr. CARSON. All the statutory requirements and timing will be met.

Senator MENENDEZ. Let me switch to another topic. On December 18, 2018, I and a series of other Senators sent you a letter raising concerns about HUD implementing an unofficial policy denying FHA-insured loans to DACA recipients, and we asked HUD to clarify that it was, in fact, a new policy. Your agency responded, saying, quote, "It has not implemented any policy changes during the current Administration, either informal or formal, with respect to FHA eligibility requirements for DACA recipients," close quote.

Then on February 12, 2019, FHA Administrator Montgomery testified before the House Appropriations Committee, saying the policy has been, quote, "unchanged for many years." On February 22, 2019, HUD officials met with my senior staff and other Senate staff to brief them on the FHA policy related to DACA recipients. Those officials affirmed that there have been no policy changes.

Mr. Secretary, you even testified before the House Committee on Appropriations in April of 2019, that you were unaware of any changes in policy related to DACA recipients receiving FHA loans, and said, quote, "I am sure we have plenty of DACA recipients who have FHA mortgages."

However, FOIA documents released on Friday revealed that HUD officials were actively discussing, and had implemented, a policy prohibiting the issuance of FHA loans to DACA recipients as early as March of 2018, if not sooner.

So, Mr. Secretary, why did you and other HUD officials conceal and misrepresent this policy change to Members of Congress?

Mr. CARSON. Senator, I have concealed nothing at all. Do people have conversations? Yes they do, and I am sure they will continue to have those conversations. Am I privy to all their conversations? No. Do their conversations change the policies? Absolutely not.

Senator MENENDEZ. Well, it evidently has changed the policy, because I have heard from so many lawfully present DACA recipients, social security numbers, everything that we would expect from any law-abiding citizen, who have been denied, mortgage companies who have said that FHA has changed the rules. And so all of your Department's testimony to date is totally out of the realm of what it, in fact, has been recorded as saying. That is what the FOIA documents show. So this Department has changed the rules on DACA recipients.

Mr. CARSON. I think the whole thing started as the result of a question that was asked about it, and it then came to light that maybe some rules were being violated and people decided that they better pay closer attention to the rules.

Senator MENENDEZ. Well, that is simply not what has happened. We will follow up, Mr. Chairman.

Mr. CARSON. OK.

Chairman CRAPO. Thank you. Senator McSally.

Senator MCSALLY. Thank you, Mr. Chairman, Secretary Carson, Director Calabria. Good to see you again.

Director Calabria, FHFA currently guarantees $5.7 trillion in mortgages, which I know you are aware of but suffice it to say that plays a critical role in getting us through this pandemic. And in your testimony you said that 6.4 percent of Fannie and Freddie mortgages have entered forbearance. Those are many of my constituents in that 6.4 percent, and we have heard from several of them who are getting conflicting information and a lot of misunderstanding or confusion over the process of forbearance, and oftentimes just different, depending on who they are dealing with.

And so while you have this public forum, and the opportunity to speak to constituents like mine who are looking for this forbearance, can you explain in layman's terms how the forbearance was designed to work, what the process should look like for the borrowers, what should the lenders and servicers be doing to ensure they are following the law, and what consequences are there for lenders or servicers that fail to process forbearance requests?

Mr. CALABRIA. Thank you, Senator. Let me first emphasize that in response to the varying answers that servicers were giving, we drafted a script Fannie and Freddie have sent to all of their servicers. This was done some time ago. So all borrowers, regardless of who their lender is, if it is a Fannie and Freddie loan they should essentially get the same script. They should get the same answers. They should get the same options. And Fannie and Freddie do follow up with the servicers to make sure that is the case.

For borrowers listening, let me first emphasize that there is no requirement at all for the missed payments to be made up. So if you have missed 2, 3 months, if it is a Fannie and Freddie loan, and I believe this is also the case with FHA, no one will be asking you to pay that back all at once. Of course, if you can that is great too.

Let me also emphasize if you have been one of those borrowers in forbearance who have made your payments, you are immediately able to refinance if you choose.

We will have a waterfall of different options, but if you, the borrower who have missed payments, do not contact the lender when you resume your payments, we will automatically take those payments and put them on the end of the loan, interest free. So let's say, for instance, you have missed $3,000 in payments and you have got a $250,000 mortgage. It will now become a $253,000 mortgage. Of course, it is not amortized. And that is simply paid back when you sell the home or when you refinance. And we think this is fair to borrowers. We think it is fair to lenders. It keeps the exact same payments, so when you resume and you can make the payment you used to be able to make, again, that will be pushed.

If you cannot—so let's say you're back to work but you are not making what you are used to, and you cannot afford the previous payment, then we will underwrite you to a modification option where we can come up with a payment that is affordable. But that will have to be something where you have to reach out to your servicer and work with them for that option.

So again, I want to emphasize if you were in forbearance, you started resuming your payments, we are simply going to tack it on the end automatically, and that will be reflected in your monthly statement, but your monthly payment will not change.

Senator MCSALLY. OK, great. And then on May 13th, FHFA announced the payment deferment plan. Again, that is different than a forbearance request. So as my constituents are looking at their options, can you explain, in plain English, the difference between the payment deferment plan and the forbearance?

Mr. CALABRIA. So the forbearance is at the beginning of this where the payments are not forgiven. They are just pressed on pause. So, you know, instead of making your monthly payment you call up to your servicer, and you have to contact your servicer—I think this part is so crucial—you have to call or at least sign up, and a number of lenders do allow you to do this online. So you have to enroll in the forbearance plan. Again, it is not forgiven. It is just going to be tacked on to the end of the mortgage. And at the time when you start to resume, then whatever you have missed will be put back on the mortgage.

So I do think it is critical to keep in mind it is not forgiven. It is a pause. You still have to pay it. And, in fact, you know, for many households if you can pay it you are probably better of continuing to pay it. But again, it is a time-out, basically, and that is the way to think about it.

Senator MCSALLY. OK. But that is different than the payment deferral plan that your agency came up with, just to clarify, right? Or——

Mr. CALABRIA. It is in that the forbearance is what happens on the front end, while you are missing the payment or not making the payment, and the payment deferral was what happens when you are out of forbearance.

Senator MCSALLY. OK. Got it. Thank you. I also want to share, in my remaining time, my concern about renters. There is a single mom on my street who I talked to this weekend who is now coming up on 4 months of rent. And perhaps her homeowner actually has been given some relief—I do not know the circumstances—but as we are allowing grace to happen for the owners, I don't know if you could share—I don't know, there is not much time, but Secretary Carson, what else can be done for the renters to ensure that they are not put in a situation of potential eviction once the grace periods might end?

Mr. CARSON. Look, it is very important for the renters to make sure that they are in contact with the PHAs and with the owners, to work something out. They also can have a reassessment of their income made so that their rent obligation can be lowered. But it does require proactivity on behalf of the renter.

Senator MCSALLY. OK. Great. Thanks. I am out of time. I appreciate it.

Mr. CARSON. Thank you, Senator.

Chairman CRAPO. Senator Tester.

Senator TESTER. Yeah. Thank you, Mr. Chairman. Thank you, Ranking Member Brown, and I want to thank both Dr. Carson and Mr. Calabria for being here today.

Kind of going off of what Senator Menendez said on the CDBG grants, Dr. Carson, and the fact that they are not out and we are two and a half months after the CARES Act has been passed, the same thing could be said, even to a greater extent, on the emergency solution grant. Two and a half months after Congress has passed the CARES Act, just 2.5 percent of the homeless assistance money has been available, you know, basically two and a half months after we approved the CARES Act.

Can you tell me why this is the case?

Mr. CARSON. Well, first of all, the rest of that ESG money is being announced today, so all $4 billion of it will be allocated. An announcement was made as of today.

Senator TESTER. Why did it take so long?

Mr. CARSON. This is record time, Senator.

Senator TESTER. Yeah, but we are in a pandemic, in a pandemic with a lot of other things that are going on, and I do not think Congress passed—and I think it is what Senator Menendez was referring to too—I do not think Congress passed the CARES Act in a record amount of time, I might add, to have it going out in mid summer and fall.

Mr. CARSON. But do recognize, sir, that the initial amount of ESG went out the first week after the bill was signed, and that was $1 billion. We also made it clear that people could utilize the monies that they already had. They could be repurposed.

Senator TESTER. Yeah. Homeless assistance, though, that simply is not the case. I mean, it did not get out. And it is good you are getting it out now. I just hope it is not too late.

Let me touch a little bit on Senator McSally's question, and others who have asked this question, on rental forgiveness. We have got a situation where people have lost their jobs and they cannot pay rent, so we are telling them it is OK, you do not have to pay your rent until you get your feet back under you. In the meantime, we have got people who own property who may have loans on that property. They might be through whoever, whatever mechanism they might have used.

Can anybody tell me what the plan is for not only keeping the renters in their home when, hopefully, we get out of this sooner than later, and what is the plan for the property owner that rents that property to the renter, that does not get those rental payments?

Mr. CARSON. Well, first of all, you might be surprised, because you probably cannot see this. But this is the rent payment tracker, 4 months' rent result, for 2019 versus 2020. You can see that it has not changed very much—97.7 percent of people were paying last year, 94.6 percent now. So people have been paying, significantly, their rent.

We are still concerned about it, obviously, and that is why I mentioned that if you do not see any prospect of being able to get a job, which I do not think is going to be the case for most people, but if that is the case, you can have your income readjusted so that your rent will be readjusted down.

Senator TESTER. I got it. I got it and I appreciate that, but what about the folks who own the homes that are being rented out, or the apartments that are being rented out, that have loans on those, that may not have gotten the income from the rent because the rent was not paid?

Mr. CARSON. Those individuals are businesses and they qualify for PPP.

Senator TESTER. Do you think that is adequate enough right now to take care of any sort of liability that they might have?

Mr. CARSON. It seems to be working, quite frankly.

Senator TESTER. OK. All right. Mr. Calabria, in April, ProPublica reported—they found that despite a ban on evictions during the crisis, landlords in four States were proceeding with eviction filings during this pandemic. Are you aware of that, number one, and number two, what are you doing about it, if you are aware of it?

Mr. CALABRIA. So, Senator, we certainly have heard of landlords moving forward. We have not seen evidence on whether those properties are Fannie- or Freddie-backed or not. I will note that we do not have enforcement authority over landlords. When we hear complaints, we give those complaints to the CFPB. I believe the CFPB tries to get those to the State attorneys general. But we do not typically have statutory enforcement authority in this area.

Senator TESTER. So there is not much you can do about it, is what you are saying.

Mr. CALABRIA. Correct, other than try to bring attention to it, try to encourage the—I mean, if we believe that a landlord who is getting forbearance is violating the terms of the forbearance, we can stop the forbearance. But we certainly have no ability to bring an enforcement action, if you will, against landlords.

Senator TESTER. OK. Thank you, Mr. Chairman.

Chairman CRAPO. Thank you. Senator Moran.

Senator MORAN. Mr. Chairman, thank you. Mr. Secretary and Dr. Calabria, thank you for joining us.

Dr. Calabria, I want to draw my attention to you in my questions. First of all, I would like to talk about risk weighting for single family versus multifamily. Under the FHFA's Enterprise Capital Re-Proposal, in my view there is a confusing disparity between how the risk weighting is applied to single family versus how it is applied to multifamily.

In determining, as I understand it, the single-family FHFA relied on the crisis of 2008 for a factual basis to make that determination. However, on the multi side, there was an indication by FHFA that that was not the appropriate way to look at it for multifamily.

But in terms of losses, back in 2008 and 2009, multifamily 2007 vintage cumulative losses were 1.3 percent, while single-family losses were 3.6 percent. Based upon that comparison, it surprises me that the indications by the re-proposal is the risks are higher in regard to multifamily, when it seems to me the evidence shows exactly the opposite.

Why then, relative to single family, is FHFA penalizing multifamily against the data? You have indicated that FHFA may be overfinancing multifamily housing. Are these two things related? I want to make sure that we are making a risk calculation based upon the facts, not based upon a desire to reduce the financing of multifamily.

Mr. CALABRIA. Thank you, Senator, for that question, and let me first say that I could not agree with you more on everything. All of this should be driven by the facts and the data.

Let me start with your last question, in terms of there is a pre-existing multifamily activity cap and then there is the capital rule treatment of multifamily, and those are indeed two different things. There is nothing in the capital rule that is meant to drive the activity more or less of multifamily. Again, those two are different. And, in fact, the current re-proposal is a re-proposal of a 2018 rule that was crafted by my predecessor. In the multifamily part of that rule, almost exactly the same as it was in the 2018 rule, very modest changes were made.

But I also want to clarify a couple of issues that I think are critical here. While the re-proposal attempts to use more bank-like language so that analysts and commentators who understand the Basel process can read our proposed rule and have more of an apples-and-apples approach, I do want to emphasize that unlike in the banking world where the risk buckets are somewhat fixed—so, for instance, we are all aware with the 50 percent risk weight that banks have on single-family mortgages, well, that 50 percent is the same for everything that fits in that bucket, whereas the average risk weights on both single family and multifamily in the proposed rule are driven by the composition of the loans.

And so what you have really seen is that the composition of both multifamily and single-family loans to date is different than it was in 2008, and I am certainly very appreciative that the multifamily performed functionally pretty well.

Let me also emphasize that the cap on multifamily that we set still has Fannie and Freddie about where they have been in the marketplace, which is essentially their highest market share they have had in decades. So we have not pulled back Fannie and Freddie from the multifamily market. We tried to make sure, of course, that it performs differently.

And also we are seeing, in this environment, so for instance Fannie and Freddie do have a significant amount of both seniors housing and student housing in the multifamily sector that are both under stress that we are keeping an eye on. Again, I am not overly concerned, but again, it is a possibility of that being a different crisis this time around than the last crisis.

But I last want to emphasize that it is a proposed rule. We are taking comment. We certainly expect and welcome commentary from the multifamily industry and others. We will obviously go through those comments. We will be thoughtful about it, we will be thorough about it, and we will be data-driven about it, and I promise you we will be transparent about it.

Senator MORAN. Dr. Calabria, thank you. Would you commit that you would inform my staff and provide data——

Mr. CALABRIA. Absolutely.

Senator MORAN. Thank you. And you will also follow up about other alternatives for that kind of lending for multifamily, what you see is available.

My time has expired. I thank the Chairman. I thank you, Dr. Calabria.

Mr. CARSON. Thank you, Senator.

Chairman CRAPO. Thank you. Senator Schatz.

Senator SCHATZ. Thank you, Mr. Chairman, Ranking Member. Dr. Calabria, half of all renters live in apartments owned by individual landlords, and FHFA provides for eviction protections for renters in multifamily properties that take advantage of CARES Act mortgage forbearance. But the same protections are not extended to renters in the one- to four-unit buildings with loans receiving CARES Act forbearance.

Are you considering extending the protections prior to announcing the forbearance program?

Mr. CALABRIA. Senator, I remind you that Section 4022 of CARES, which handles the single family, which is where the single-family rental is, we are mandated, essentially, on, if you will, the honor system, where we have to provide the forbearance. Where, by contrast, in 4023 of CARES, which covers the multifamily, you do have these requirements for there to be an exchange of, in exchange for forbearance there will be no eviction on nonpayment of rent.

So our conclusion is that for us to place legal mandates on noneviction, on tenants in single-family properties under 4022, Congress would have to amend that section.

Senator SCHATZ. Thank you. A couple of other things about where the discretion lies between the Congress and FHFA. You referred to a foreclosure moratorium which expires at the end of this month, and you said you are at least giving consideration to extending that moratorium. Is that correct?

Mr. CALABRIA. Yes, Senator.

Senator SCHATZ. And what is your timeframe for deciding that and what is the timeframe under consideration in terms of an extension?

Mr. CALABRIA. We will be making that decision—we will be making that announcement certainly within a week. I think because we can always extend it as we move along, I certainly think, at a minimum, we would want to extend it a month. At a maximum, I do not think we would want it to be any more than 2 months, just because we can always extend it again as we start to see how the economy evolves.

So my preference here is to give people enough certainty without necessarily locking us in.

Senator SCHATZ. And the July 24th expiration of the eviction moratorium, likewise, is that in the Congress' hand or do you have discretion other than the sort of complication related to LIHTC units?

Mr. CALABRIA. We can extend for GSEs. Obviously, the CARES Act covers all Federal-related mortgages, not simply Fannie and Freddie. So, for instance, USDA, VA. If there was to be an extension for those, we could not do that at FHFA but we could extend the foreclosure moratorium.

And I really want to emphasize the part of what we have done on the foreclosure moratorium are foreclosures that were in process pre-CARES Act. So there were a number, for Fannie and Freddie, probably about 200,000 ongoing foreclosures pre-COVID, and it is important to remember that we paused those as well, because we wanted to be able to facilitate social distancing. And we are looking at continuing that, and that is a separate, outside of the 4022 and 4023.

Senator SCHATZ. I want you to, in your minds, good conversation has happened related to what will happen once the current CARES Act provisions related to housing expire. But if you would provide to the Committee sort of a set of predictions and recommendations for our consideration as we look at the next round of legislation, to understand what is going to happen next in the event that we do nothing at all. How many people would be out on the streets? How many people would be in foreclosure? How many people would be evicted? And what is within the Administration's authority to provide some flexibility to those individuals, but also probably more importantly, what we are going to need to do, as a Congress, to make sure that we don't face a cliff.

And I know Ranking Member Brown has been very clear about this. You know, there are a lot of technical aspects of this, but basically what we are looking at is that people have their bills piling up and up and up, and that means that they are experiencing some relief right now. But as I heard Secretary Carson and you, Director Calabria, talk about the best solution to this being, you know, job growth, that may be true enough, but we know even in the most optimistic scenario that job growth is not going to come fast enough to help people with their rent and mortgage, not as a statistical matter.

Individuals will be helped as they find employment. But we have got 40 million individuals who are unemployed, and those jobs are not coming back very quickly. And so as housing agencies it is a little bit of a rhetorical sleight of hand to say, well, we have just got to wait until the job market recovers. That is going to be years before we are fully recovered.

One final question, Secretary Carson. Are you comfortable with an October deadline for pushing out the CDBG money?

Mr. CARSON. That is the deadline.

Senator SCHATZ. No, I understand that.

Mr. CARSON. Bear in mind that the——

Senator SCHATZ. I understand what you said, Secretary, before, to two previous Senators who asked you this question, and I understand that you are saying you are within the statutory framework. That is not what I am asking you. I am asking you, understanding how urgent the situation, understanding that we are experiencing Depression-levels of unemployment, understanding that we are in a global pandemic, that seems rather casual to think, well, we are within the statutory mandate, when you know that people across the country are suffering.

So my question is, is there any way you could see fit to go back to your agency and accelerate the process of pushing out these CDBG funds? We are not saying that you are violating the law. We are saying that people need the money now, and would you consider pushing it out a little more quickly?

Chairman CRAPO. And if you could be brief, please. We are way over time.

Mr. CARSON. OK. The statutory requirement for ESG is June 25th. It is out today, the 9th. So it does not mean when the deadline is that we are going to wait that long. We are going to get it out as fast as we possibly can.

Chairman CRAPO. Thank you. Senator Van Hollen.

Senator VAN HOLLEN. Thank you, Mr. Chairman, and I thank the witnesses today. You have had a lot of questions about the impact of job loss and therefore the loss of income, and therefore the difficulty so many people have in paying rent. I think even the most optimistic scenarios show that millions of Americans will remain unemployed, through no fault of their own, beyond July 31st, and, of course, after July 31st, the enhanced unemployment compensation benefits would expire unless we extend them.

So just a quick question to both of you. Do you agree that it makes sense, to the extent that we will continue to have millions employed, to extend enhanced unemployment insurance to help people pay their rent as this emergency continues?

Mr. CARSON. Well, I think it is obviously going to be very important for us to monitor the situation, see how much recovery is going on, and obviously we are not going to sit idly by and watch millions of Americans suffer for something that is not their fault.

Senator VAN HOLLEN. So, Mr. Secretary, just to clarify, at the end of July, if it is clear that we will continue to have millions of people unemployed, through no fault of their own, you would support continuing enhanced unemployment compensation in some form?

Mr. CARSON. As necessary.

Senator VAN HOLLEN. All right. Mr. Calabria, do you have an opinion on that?

Mr. CALABRIA. Senator, I will just remind you we are an independent agency, not part of the Administration, not part of the negotiations, so I will leave what the next package looks like between Congress and the Administration.

Senator VAN HOLLEN. No, I understand that, but you are also somebody who is well versed on these housing issues and you have an understanding of the impact of people not paying their rent, or not able to pay their rent. So you do not have any opinion on it?

Mr. CALABRIA. I certainly share the point about there being a broader income job dynamic. I certainly think the number of Senators, for instance, who have raised issues about the $600 further being some percentage of the unemployed that are receiving more than they actually would in wages. I guess at the risk of the old clich? about a two-handed economist, there are tradeoffs here, and I think fundamentally the reason you and your colleague are elected are to weigh those tradeoffs.

Senator VAN HOLLEN. Well, Mr. Secretary, we will do that. There is a work-share program we will be talking to more of our colleagues about, which both provides, you know, the benefit of the employer, small business, being able to share reduced hours and wages with the unemployment system.

Mr. Secretary, in response to an earlier question, I think it was to Senator McSally, you mentioned the process at HUD for income recertification. For people who lost income, they can recertify. Has HUD put out additional information recently to better inform tenants about the fact that they have to do that and that that option is available to them?

Mr. CARSON. Yes, we have, at *HUD.gov/coronavirus*.

Senator VAN HOLLEN. Great. And have you thought of expediting that process? In other words, we know a lot of people are losing their income because they are losing their jobs. Is there a way to expedite that recertification process so people can get the benefit of it earlier rather than later?

Mr. CARSON. We have our Assistant Secretary who is in constant communication with the various PHAs and others to inform them of what the process is and how to access that process quickly.

Senator VAN HOLLEN. Mr. Secretary, if you could—not right now, but if you could get us the information on how many people have requested recertifications, you know, since the emergency hit, and how many have received it, could you get us that information?

Mr. CARSON. I would be happy to.

Senator VAN HOLLEN. Thank you. Director Calabria, you recently released your re-proposed capital rules for GSEs. Moody's economist, Mark Zandi, has estimated that the change will raise interest rates on low-income borrowers and could raise mortgage payments on a $200,000 mortgage by $58 per month. Isn't it a fact that this proposal will increase interest rates and that they will be disproportionately borne by lower-income households?

Mr. CALABRIA. I would disagree with that analysis and certainly note that Mr. Zandi is on the board of a mortgage insurer that has a strong economic interest in not seeing us do this rule. So I certainly would not put him forward as an unbiased expert in this.

I would also note, Senator, we have had a decade since the financial crisis of arguments by Wall Street that somehow raising capital will destroy lending in this country. That has not been the case. I will note today that many commercial banks in the jumbo market are able to make mortgages and they hold twice the capital that the rule requires and do so at costs that are equal to or less than what Fannie and Freddie are charging.

So, Senator, I think it is just critical that we have financial stability. We know in moments of stress, when large institutions like Fannie and Freddie are undercapitalized it is low- and moderate-income households that are most impacted.

Senator VAN HOLLEN. I know my time is up, Mr. Chairman. If you could just provide us your estimate of the impact this proposal will have on interest rates and mortgage payments for lower-income households. Can you get us detailed information on that?

Mr. CALABRIA. Senator, we will look into that and see what we can provide.

Senator VAN HOLLEN. Well, it seems to me that in making this kind of decision it would be essential to have that information, so I hope you can put it together, and I look forward to getting it.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you. Senator Cortez Masto.

Senator CORTEZ MASTO. Thank you, Mr. Chairman and Ranking Member Brown. I so appreciate Secretary Carson and Director Calabria for being here. Director Calabria, thank you for being on the phone with me last week as well. I really appreciate it.

So, you know, I am looking online in the Urban Institute. There is an article that says, "New data suggests that COVID–19 is widening housing disparities by race and income." In fact, the first paragraph into this article says that "racial and economic disparities in access to safe and affordable housing existed long before the COVID–19 pandemic. And new data from the U.S. Census Bureau suggest that the pandemic and its economic fallout is only widening these divides."

Would you both agree with that?

Mr. CARSON. Absolutely.

Mr. CALABRIA. Yes.

Senator CORTEZ MASTO. Thank you. So then let me start with you, Secretary Carson. I am listening to your testimony and I have been bouncing between here and Energy and Natural Resources, but from what I listened to your testimony and then also in your written statement you note the initial funds that Congress has provided to help people with housing assistance, but I do not hear or see any answers about how your department will respond to the increasing numbers of African Americans, Latinos, and low-income people who face rapidly increasing housing costs and eviction, what you are doing to address that.

So I guess my first question to you is, as HUD calculated the assistance formulas, did your researchers prioritize communities with high proportions of African Americans and Latinos, and did you take that into consideration?

Mr. CARSON. Your voice keeps going in and out, so I am not getting the full question, but I think you are asking are we doing statistical analysis of the communities that we are trying to help, and looking at the demographic data, and is that somehow being utilized in the policies that we create. Would that be an accurate portrayal?

Senator CORTEZ MASTO. Absolutely. Thank you. Thank you. That is accurate.

Mr. CARSON. Yes. Of course we always look at the demographics, and we do recognize that there is a significant disparity, based on the environment in which you live. You know, the COVID–19 crisis has made it very clear that comorbidities such as hypertension and diabetes and obesity and asthma have a tremendous negative impact in terms of morbidity and mortality. And——

Senator CORTEZ MASTO. And I appreciate that, and believe me, I appreciate that, particularly coming from your background. But let me ask you this. You are Secretary of Housing and Urban Development right now, and so as you look at this data, which you do not disagree with, what are you doing right now, particularly during this pandemic, to address the issue that we see more of this economic disparity within these communities? And I have not heard, in this conversation we have had today, how you, as the Secretary of HUD, are specifically addressing this.

So that is my first question to you.

Mr. CARSON. Well, what we are doing is utilizing the White House Council on Opportunity and Revitalization, which is a multiagency council, to address the underlying causes for those disparities. That means housing specifically, that means education, that means communication, that means transportation, it means looking at——

Senator CORTEZ MASTO. I appreciate that and I appreciate what the White House is trying to do, but my question to you is specifically, what policies and programs are you doing as the Secretary of Housing? What specifically are you doing to address this issue?

Mr. CARSON. Well see, we recognize that this is going to be an all-of-Government approach to solve these kinds of problems. These are not just a HUD problem. They are not just an HHS problem. It is a combination of utilizing all of these together, recognizing what the underlying causes of these problems are. It is because people have——

Senator CORTEZ MASTO. I appreciate that, and I appreciate the all-in approach and the wrap-around service approach and the holistic approach. But you are the Secretary of HUD, and so we are looking for specific programs and policies out of your Department to address the housing piece, and I have not heard that, and I think that is the frustration we are hearing today from many of the Senators.

Let me—I do not have much time left so I will submit the rest of my questions for the record. Thank you.

Chairman CRAPO. Thank you. Senator Jones.

Senator JONES. Thank you. I appreciate the opportunity to be here, and to both the witnesses, thank you so much for being here and giving us information, and for your service. I appreciate that.

I would like to ask Secretary Carson a little bit about the issues involving radon and radon testing. As you know, and we have discussed, there have been numerous reports, a million or so instances where it is estimated that radon exists in public housing, and that is a serious hazard for potential lung cancer, and 21,000 Americans die of lung cancer every year.

The President's budget includes $5 million for the Health Homes Program. I appreciate and comment your recognizing what a problem this is.

But one of the problems we see is that public housing authorities also have to provide and make sure that housing is habitable, and when a unit is not being inhabited, though, they somehow get panelized.

Huntsville Housing Authority, in Alabama, north Alabama, in particular has had this problem and said that they do not have the money at this time to fix the housing in those units.

I want to make sure we invest in safe, healthy housing, but if the monies are not there, I don't want to see some of these public housing authorities being penalized. So is HUD adjusting its policy so we don't penalize these PHAs while they are waiting for sufficient funds to remove hazardous materials such as radon?

Mr. CARSON. We are. Thank you for mentioning the $5 million, which is the first time that that kind of money has been dedicated to radon. But we also have a Healthy Homes grant of $20 million, which can be utilized for radon as well.

We have also changed the inspection protocol so that it will be a part of the inspection, and obviously, as you probably know, there are State and local requirements regarding radon as well, and we will be assessing whether those are being followed during the inspection process.

Senator JONES. All right. Well, thank you, but my real question is that as these public housing authorities are waiting to abate the radon and these units are standing empty, are you adjusting your policy so that these PHAs do not get somehow penalized for having vacant places—vacant buildings, vacant apartments?

Mr. CARSON. If the apartments are vacant but they are not following the protocols that are mandated by State and local law, yes, they will still be penalized. We cannot allow people to simply ignore those regulations.

Senator JONES. No, no. That was not my question, sir. I mean, it takes time between getting the money. I mean, they do not have the money. It takes time to get the funds in to abate the radon, and for PHAs that are doing everything they can to comply with the law, are you trying to give some adjustments for their good faith compliance and they simply do not have the money, or are you going to just continue to penalize them, even though they just fully do not have the funds to comply?

Mr. CARSON. If they make it clear that they have recognized the problem and they are in the process of addressing it and they are just waiting for the funding to do so, of course we will provide them an appropriate waiver.

Senator JONES. All right. Great. Thank you, sir. Thank you for that.

Staying with you, Secretary Carson, I appreciate a lot of what is being implemented with the CARES Act, and recognizing the disparate impact that this crisis, this healthcare crisis has had on minority populations. But I think, and I would be remiss if I have not pointed out that prior to this crisis your Department has also issued a number of rules and has done some things that I think completely turn on its head the role of HUD in trying to prevent discrimination.

For instance, the new rule—and you and I have talked about this—that does away with the disparate impact proposed rule I think is going to make it almost impossible to provide and sue on race-based issues. You have got rules, the mixed status rule, which I think is also going to create problematic areas to try to prove discrimination.

The Fair Housing Initiatives program for the 2021 budget, I think is less than what should be. And, you know, I am really concerned about the proposed rule where, in 2018, the Trump administration delayed and then rescinded the Obama administration's rule regarding recipients of HUD funds in localities to undertake a comprehensive analysis of fair housing barriers. Your proposed rule now completely eliminates tools involving race and segregation and instead focuses on removing regulatory barriers to develop.

So as we move out of this crisis, Mr. Secretary, I am asking you, can you commit to making sure that the Housing Department goes back and starts looking at discrimination? We are in a crisis in this country involving race. Everyone is seeing it. It is not just police and law enforcement. Can you commit to making sure that in terms of the housing across this country, your Department is going to take another look at the rules that you have implemented and to try to make sure that it is both fair, equitable, and does everything in the Government's power to prevent discrimination of any sort?

Mr. CARSON. We will definitely commit to doing everything we can to prevent discrimination and create fair housing. No question about that.

Senator JONES. All right. Thank you, sir. Thank you, Mr. Chairman.

Chairman CRAPO. Thank you. Senator Warner.

Senator WARNER. Thank you, Mr. Chairman. I would like to go to Director Calabria. Thank you for the opportunity we have had to speak on a number of times. We do not always agree but I really do appreciate your willingness to engage with me. And I want to come back to, actually, our favorite subject, the GSEs.

I think the last couple of months we have seen the importance of the Government's role in supporting the mortgage market. As a matter of fact, it appears to me that outside the Government-supported mortgage market the rest of the market is not really doing that well, and you can point out that Congress has not been very effective at our reform efforts. I am concerned about some of the Administration's plans.

So with that as a backdrop, as we get into your plans on how we get the entities out of conservatorship, can you address how you think the current economic challenges may impact the timing of the GSEs release? Obviously I would think investors would [inaudible] what were retained earnings, some of the interest of the investors might be diminished. Speak to that as well as how we actually make sure that we have got that real plan and make sure the GSEs wholly pay for that Government backstop.

Mr. CALABRIA. Well, thank you, Senator. A number of questions in there, and let me say it is always a pleasure to talk to you, and I hope you at least always feel that when we disagree it is. It is always in a very transparent manner and a very fair and open manner.

Let me also emphasize that as an independent regulator I really cannot speak to the Administration's plan. I do want to make a point about preparing for exiting conservatorship, that I believe this is not a choice on my part. It is a statutory mandate. The framework of the Housing and Economic Recovery Act requires me to get Fannie and Freddie into a safe and sound condition, which is consistent with exiting conservatorship.

At this point, where we are in the COVID crisis, where we are in the housing market is I think this will likely delay an exit by 3 to 4 months, but I would certainly underline there are a tremendous amount of unknowns in here.

It was touched upon by a couple of Members, if we start to have a number of forbearance loans eventually go into default and go into actual perhaps foreclosure or serious delinquency, we will have to take those loans out of pools, put them onto the balance sheets.

So for Fannie and Freddie the really big price tag, if you will, with this, we probably will not see that until the fourth quarter. And so, again, we are still seeing how this evolves. I would simply say it is too soon to really tell, and by 3 to 4 months should really be taken with an extremely wide margin of error.

Senator WARNER. I just hope you will keep us, those of us who are very involved in this subject, informed. Obviously the market is changing, and the interest of the private investors, I think, I want to follow that.

It appears, as well, that the existing shareholders from any bank, you are going to simply walk away from the Government's preferred position without any compensation I think would be helpful in terms of giving everybody a little, you know, downstream guidance. To just clear up, I hope you would not support walking away from the Government's position without a sanction.

Mr. CALABRIA. Well, I would emphasize that what happens to the Government's investment is fundamentally the responsibility of Treasury and the Administration to decide. I certainly think that we should make sure that the Government gets recouped fairly. But again, I do want to emphasize that this is fundamentally the Treasury Department's decision.

Senator WARNER. Yeah. You are a smart guy and you have got a pretty good amount of influence in all this, and I want to make sure—I do think it is important that we send that signal to the market that the Government is not going to walk away from its preferred position without compensation.

I know that Senator Van Hollen has raised this issue, but I want to just re-emphasize my interest as well in making sure that LMI communities, that we have got really data-driven metrics on how, I think, the COVID crisis has disproportionally affected communities of color, and having that data will be really important as we think about how we protect these communities on a going-forward basis.

I am down to my last 9 seconds and I would like to continue our discussion on risk sharing. I am concerned that if we end up with a solution where we go back to a too-big-to-fail duopoly. And I know not all of the risk-sharing experiments have fully worked, but I think it would be a challenge to come to a pre-2008 crisis without risk sharing to the too-big-to-fail entities. But I know we will continue those conversations.

Thank you, Mr. Chairman.

Chairman CRAPO. Thank you, Senator Warner. Senator Smith.

Senator SMITH. Thank you, Chair Crapo and Ranking Member Brown, and thanks to both of you for being here testifying before our Committee today.

I want to talk about the economic and health and racial equity crisis that is sweeping through our country. Mr. George Floyd was murdered by Minneapolis police officers in my hometown. This stuff is a tragedy and it never should have happened, and we cannot look away from this deep injustice. It reveals, I know, a systemic racism and inequity that exists in policing and in our society, and it is intolerable.

You know, I have listened to Black people in my community who have said to me, with anguish and fear and frustration, that "all we want is to know that the police won't attack us and kill us. All we want is to be treated equally." And we know that we need to seek justice for Mr. Floyd and his family, but people are marching in the streets because they are demanding more, and we need to listen and respond.

Now they are demanding that we dramatically transform our policing systems in this country, but they are also demanding that we seek out and change and address the disparities and the discrimination that exists in all of our communities, including in our housing systems. And this, of course, as several of us have mentioned already today, the pandemic is even increasing this divide.

In Minneapolis, we have the third-highest homeownership rate in the country, but the fifth-biggest gap in home ownership between white households and households of color. The typical Black family in Minneapolis earns less than half of the typical white family, 44 percent. Roughly 25 percent of Black families in Minneapolis own their own home, which is one of the lowest rates in the country. And we know that home ownership is the way that most Americans build wealth and economic stability.

So why has this happened? We know that historic racism is at the root of this. In the 20th century, in Minneapolis, racist redlining strategies barred families of color from buying houses and renting in so many neighborhoods. In the 1960s, we built big freeways that decimated historically Black communities in Minneapolis and St. Paul, like the Rondo neighborhood. One in eight African American families in St. Paul lost their homes when we built the I–94 freeway through the Twin Cities.

These disparities that I am talking about in Minnesota are ours, but we see them everywhere in this country. So Secretary Carson, we need to work to fulfill the promise of the Fair Housing Act. This is from 1968, when a young Senator from Minnesota, Walter Mondale, helped to write that landmark legislation, and we know that its promise has not yet been fulfilled. And we had rules like the Affirmative Furthering Fair Housing Rule that were written to do just that. But HUD, under your leadership, has undermined this rule and your agency's effort to oversee fair housing.

So Secretary Carson, I believe so strongly that in this moment we have a moral responsibility to change the systems in housing that perpetuate these deep inequities that I have just described, that we all know are there. We need to continue to move forward in the way that we have or we can actually finally do something about this.

So I ask you, Secretary Carson, to please consider the voices of my constituents, the voices of civil rights leaders and advocates, and to seize this moment to make the kind of change that we need to make around fair housing. You have the power to do this. You can use the power of your agency to do this.

Now I want to ask you something specific related to these inequities, related specifically to the issues of homelessness on Tribal land. The COVID–19 pandemic has exposed huge racial and economic disparities and the inequities that I have just been talking about. We see this on Tribal lands. We see the devastating impact on Tribal lands. According to the National Alliance to End Homelessness, people experiencing homelessness are uniquely vulnerable to COVID–19 because of food insecurity and crowded shelter conditions and all of the dangers that we see with encampments, with not enough hygiene stations, not enough help.

So knowing that these risk factors are there, it makes no sense to me that Tribes are not eligible to apply for the HUD homelessness assistance grants. Senator Murkowski and I have a bill to fix this. And so my question to you, Secretary Carson, is do you think that Tribe should be able to access these homelessness assistance grants so that they can reduce some of this overcrowding and help families find safe and stable housing?

Mr. CARSON. There have been a number of programs, and I am sure you are familiar with the Indian Housing Block Grant Program and the Indian CDBG Program, which provides the same kinds of relief as the program that you are talking about. But do I believe that they should be entitled to significant help because of the disparities? The answer is yes.

Senator SMITH. Thank you, Secretary Carson. We are going to push forward this legislation. I think it is very important. And I will follow up separately with more questions, especially related to sprinkler systems in multifamily units, which has been such a big problem in public housing projects. Thank you.

Chairman CRAPO. Thank you. Senator Sinema. Is she on video and audio? Senator?

Senator SINEMA. Mr. Chairman, can you hear me?

Chairman CRAPO. I can. So you will be with us on audio. Go ahead.

Senator SINEMA. That is right, and thank you. Thanks to all of our witnesses for being here today.

Economists reported this week that the recession officially began in February, and I hear from Arizonans about how our ongoing public health crisis and a bad economy create significant headaches and hardships for families across the State.

Arizonans worry about their health and safety. An increasing number are concerned about how they will make ends meet. The Senate must act to provide meaningful relief to families and small businesses, stabilize the economy, fight the spread of coronavirus, and help our State and local governments provide essential services during these challenging times.

Secretary Carson, thank you for being with us today. I want to talk about what we mean when we say eviction or foreclosure. These are families likely facing homelessness, so they will need to find shelter and food. There are unprecedented waitlists for shelter services across my State. Arizonans face very difficult circumstances that hurt our most vulnerable, including children, and this is largely through no fault of their own.

What does it mean to you personally when an American family loses their home?

Mr. CARSON. Well, having a home is one of the things that gives people stability and confidence, and the ability to take advantage of other things in society. So obviously it is very important.

Senator SINEMA. So what would you tell a family that is facing foreclosure or eviction?

Mr. CARSON. Well, you would tell them that you are going to try to help them. That is what we are here for.

Senator SINEMA. You know, many Arizonans are struggling to keep their lives together right now, and it is hard for families to stay strong without safe and affordable housing. We have got to find ways to turn those words of "we want to help you" into action.

But this is a growing problem in Arizona, particularly in our multifamily rental market. I have spoken to property owners who have told me that over 50 percent of their tenants missed rent payments in April or May, and we see court dockets filled with eviction notices. That is why I am concerned that Arizonans are struggling to get access to rental assistance.

The State of Arizona dedicated $5 million to help struggling renters, but there has been tons of red tape and substantial delays. Very little of those funds have gone out, and people need relief.

Do you have people in the Department of Housing who can provide technical assistance and share best practices with the State of Arizona as we address these challenges?

Mr. CARSON. We do and we would be happy to provide them. And also we could use your help, in helping to deregulate some of the barriers that are preventing the building of affordable housing in Arizona and other parts of the country. This is what is creating a lot of the problem, skyrocketing prices while people's incomes are not going up.

Senator SINEMA. I will say, Secretary, I am surprised to hear the term of needing more deregulation in Arizona. As you may know, I am a strong proponent of regulatory reform, but Arizona is a State that has some of the most relaxed regulations of any State in the country.

Mr. CARSON. And we appreciate that.

Senator SINEMA. I just want to talk a little bit about my own experience. As you may know, Secretary, I was homeless as a child, and my family lived in housing insecurity for over 3 years. I lived without running water and without electricity. So I am looking for a Department of Housing to provide more empathy and to provide active assistance to families who are on the verge of losing their homes, like my family did because of tough times.

Right now, unprecedented numbers of families in Arizona are facing these tough times, through no fault of their own, through a global pandemic that is not manmade. And yet they are on the verge of homelessness without seeing any kind of help in sight.

So before my times expires, I want to bring up one last issue for you. You know, we see increased rates of seniors who are experiencing homelessness in Arizona. The rate has nearly doubled in the last few years, and I do not think the Federal Government has a good solution for this population because most of the current efforts focus on getting people back to work.

Your budget proposes a small increase in the Section 202 program, but we clearly need more affordable housing options for seniors. Given that we are in this global pandemic that disproportionately impacts seniors, what can we do to quickly address this issue and help keep seniors in their homes?

Mr. CARSON. Well, I think we have to recognize that we have an ever-growing incidence of seniors and we need to start concentrating on the type of housing for seniors that is most appropriate, where they may have some shared living space but perhaps their private facilities for bathroom and sleeping. That also gives them the opportunity to intermingle with others, and as you probably know if you know anything about mental health, that that is essential as you grow older.

So we need to be thinking about those kinds of things that are changing in our society and addressing them specifically.

Senator SINEMA. Well, Mr. Secretary, I see that my time has expired, and as a licensed clinical social worker I actually have a lot of experience in the issues of mental health. My concern is that we are not taking action to provide either the support that is needed for mental health or the physical security of many of our seniors who are facing homelessness in our country.

Thank you, Mr. Chairman. I yield back.

Chairman CRAPO. Thank you. That concludes our testimony.

Senator BROWN. Mr. Chairman?

Chairman CRAPO. But Senator Menendez has asked for a few minutes for an additional question, and Senator Brown has asked to make a statement, a concluding statement. So we will conclude the hearing with that, and we will go to you, Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman, very much for the courtesy. Secretary Carson, briefly, I want to go back to the DACA issue, since you mentioned taking a closer look at the rules. Don't DACA recipients have social security numbers? Isn't that correct?

Mr. CARSON. I believe they do.

Senator MENENDEZ. And they have work permits—isn't that correct?

Mr. CARSON. Many of them do, yes.

Senator MENENDEZ. And most of them have lived in the United States since they were children. Is that correct?

Mr. CARSON. Yes.

Senator MENENDEZ. And they have legal presence. Isn't that correct?

Mr. CARSON. They are present, yes.

Senator MENENDEZ. There are here present and legally, according to DHS. The Department of Homeland Security has always defined DACA recipients as having legal presence, so that point is clear.

So HUD could have made the determination to interpret lawful residency—as it has in the past because in the past DACA recipients did receive and were eligible for FHA and had dutifully performed their responsibilities—to include DACA. In fact, HUD made a choice to exclude DACA recipients from FHA loans by defining "lawful residency" in a different way, in a manner to exclude them, which is made clear in the FOIA documents.

So HUD did change the rules, because before a DACA recipient not only was eligible but received mortgages, if they were a responsible borrower, and now they cannot. So HUD changed the rules, and they did not reveal this change publicly, and misrepresented to Congress that a change had taken place.

Yesterday, several colleagues and I sent a letter to HUD's Inspector General, requesting that they open an investigation into how this decision was made and why Congress was misled for so long. And I just want to ask you, will you commit to fully cooperating with that investigation?

Mr. CARSON. Not only will we cooperate with the investigation but I would be delighted to work with you on looking at that rule.

Senator MENENDEZ. Well, I would accept that offer and hopefully look to return to what your Department used to do. And if somebody changed it underneath your—you know, underneath you, as somebody at a lower range, and that is not your view, then I would embrace you changing back to what it was, where DACA recipients who are lawfully present under the Department of Homeland Security were eligible, did receive mortgages, and have been responsible borrowers. I would love for that to be the outcome. I appreciate your answer to both deal with the Inspector General and your offer, which I would certainly accept.

Mr. CARSON. Great.

Senator MENENDEZ. Thank you.

Mr. CARSON. Thank you.

Chairman CRAPO. And then we will conclude with Senator Brown with a brief concluding statement. Senator Brown.

Senator BROWN. Mr. Chairman, thank you. Thank you for your courtesy always and your fair-mindedness. I appreciate that.

I want to just close with a couple of points. First, Mr. Calabria, I appreciate your denial of rolling back civil rights protections and your comments. My comments were directed at the Secretary and at HUD. I apologize if you thought they were directed at you all. So your agency has a role in monitoring the Fair Housing Act. Your housing finance reform proposals will, in fact, though, disproportionately hurt Black and brown communities.

Second, Mr. Calabria, I also appreciate your repeated emphasis relative to the few Americans who have lost their homes during this crisis so far, despite the worst unemployment numbers of our lifetimes. Dr. Carson, renters themselves, though, are telling us they are in trouble, particularly Black and brown renters. To the extent many are paying, they are taking on more debt that they cannot afford. They are making impossible choices.

They are relying—really importantly, relying on the expanded unemployment insurance we passed. That expansion, as a number of my colleagues have noted, is set to expire in a little more than a month. The President and my Republican colleagues refuse to extend it. Many of you remember the only amendment Senator McConnell allowed on the Senate floor to the CARES Act was to eliminate the expanded unemployment. We need to act now to put money in workers' pockets and pass emergency rental assistance. We need to do both.

Finally, Secretary Carson, over the weekend you said the President will offer up remarks about racial healing over the next week. I hope you are right about that. It is going to be pretty hard, though, when he has spent his entire career—and I know you know this and I know you cannot acknowledge it publicly. I assume you acknowledge it privately, but this President has spent his entire career dividing people, from the Central Park 5 to birtherism to calling Mexicans rapists, to immigrant children ripped from their parents, to dominating protesters. You know that. You ran against him. You know that.

We know why he does it and so do you—to distract from his Administration's record, including your record, his Administration's record of betraying workers and treating Black and brown Americans as expendable. Ultimately it comes down to leadership.

Just for a moment, contrast the President with the words of another leader responding to calls for justice in the streets, who said, we shouldn't use violence to silence protestors. He said, quote, "We must eliminate the problems from which they stem." That came from the Governor of your State when you were growing up, a Republican Governor by the name of George Romney, in Detroit, in 1967. He responded by listening and taking action. He worked to pass a fair housing law in Michigan. He worked to implement the Fair Housing Act, in a job you have now, as HUD Secretary. President Nixon fired him for it.

The American people are waiting on my Republican colleagues and you, Mr. Secretary, to show that same courage today. You have called for dialogue, Mr. Secretary, but you refuse to listen to all the people who have stood up against your civil rights rollbacks, against your budget cuts, against your housing finance reforms that would make it harder for people of color in this country to buy homes.

You call for dialogue but today you said you were glad to not be able to hear what I have to say. That is OK, Mr. Secretary. Whether or not you prefer to hear me, I hope you listen to the demands for justice from people all over this country.

Thank you, Mr. Chairman.

Chairman CRAPO. That concludes the questioning and comments for today's hearing. For Senators who wish to submit questions for the record those questions are due to the Committee by Tuesday, June 16th. We ask our witnesses to respond to those questions as quickly as you can.

Again, to both of you, I appreciate the work that you are doing, and appreciate you being here to testify to us today in this oversight hearing.

This hearing is adjourned.

Mr. CARSON. Thank you.

[Whereupon, at 12:06 p.m., the hearing was adjourned.]

[Prepared statements, responses to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF CHAIRMAN MIKE CRAPO

Today, we welcome the Federal housing regulators, The Honorable Benjamin S. Carson, Secretary of Housing and Urban Development, and the Honorable Mark A. Calabria, Director, Federal Housing Finance Agency.

Welcome back to you both. Today we will receive testimony on your agencies' recent activities, operations and ongoing efforts to promote access to quality, affordable housing while also ensuring the safety and soundness of the housing finance market.

Your agencies' missions have never been more critical.

The disruption of COVID–19 on the U.S. economy has hit homeowners and the housing market especially hard.

We have already seen a huge number of mortgage borrowers enter forbearance, while many landlords are struggling to make ends meet, and countless renters are unsure whether they will be able to make their next payment.

In March, HUD and FHFA acted swiftly to prohibit foreclosures and evictions for millions of residential borrowers facing financial hardship due to the pandemic.

Soon after, Congress passed the Coronavirus Aid, Relief and Economic Security Act, or CARES Act, codifying and extending these protections and providing financial relief to renters.

Title IV of the CARES Act contains three Housing provisions: Section 4022 imposes a 60-day eviction and foreclosure moratorium for single-family borrowers with a federally backed mortgage loan. It also allows struggling homeowners up to 1 year of loan forbearance.

Section 4023 extends similar relief to federally backed multifamily borrowers who are current on their mortgage payments. They can request up to 90-days forbearance so long as they do not evict a tenant or charge late fees solely for nonpayment of rent during the pandemic.

Section 4024 imposes a 120-day moratorium on evictions, fees and penalties for tenants who live in multifamily units that participate in a Federal assistance program or have a Government-backed mortgage.

Title XII of the CARES Act provides $12.4 billion of emergency supplemental appropriations for HUD programs and activities, to further soften the economic blow of the pandemic across the many communities HUD serves.

In addition to implementing the CARES Act, HUD and FHFA have taken important actions to further protect borrowers and mortgage servicers during pandemic.

Both agencies have extended the eviction and foreclosure moratorium for qualifying homeowners through at least the end of June.

The agencies have also taken steps to ensure borrowers are not facing large, looming debt payments. Director Calabria recently reiterated that borrowers in forbearance with a Fannie Mae- or Freddie Mac-backed mortgage will not owe a lump sum at the end of forbearance.

FHFA has further announced a new payment deferral option which allows borrowers, who are able to return to making their normal monthly mortgage payment, the ability to repay their missed payments at the time the home is sold, refinanced, or at maturity.

HUD has similarly implemented the National Emergency Partial Claim, which allows eligible FHA borrowers in forbearance to reinstate their loans by authorizing servicers to advance funds on their behalf. Like FHFA, repayment of any missed monthly payments is deferred until the back end of the loan.

In recognizing the undue burden the pandemic has placed on the mortgage servicing industry, HUD and FHFA have acted quickly to address the liquidity gap. HUD has expanded issuer assistance to include the Pass-Through Assistance Program (PTAP), which allows servicers to apply for assistance in meeting principal and interest payments, and FHFA has announced that no mortgage servicer will be responsible for advancing more than four months of missed principal & interest payments on a loan.

While America is taking steps to return to work and relax stay-at-home orders, the recovery is only just beginning. I thank our witnesses for their swift and prudent actions to date, and for their continued commitment and collaboration at this time.

This Committee is also focused on working with HUD and FHFA to identify and tailor overly burdensome regulations in an effort to create conditions that will lead to a forceful economic recovery.

Secretary Carson, I applaud you for spearheading the ongoing efforts to identify and eliminate regulatory barriers to affordable housing production in this country. This will play a big part in bringing about a stronger, quicker economic rebound.

Finally, the pandemic has underscored the need for a stable, well-capitalized housing market in times of stress.

FHFA has recently taken a crucial step toward safety and soundness in proposing a thorough, thoughtful regulatory capital framework for Fannie Mae and Freddie Mac.

As Americans face financial uncertainty, it is long past time to make the hard decisions and address this last unfinished business of the 2008 financial crisis.

Director Calabria, thank you for your considerable efforts here, and I look forward to our continued work together on this topic.

Thank you once again to our witnesses for joining us here today.

PREPARED STATEMENT OF SENATOR SHERROD BROWN

Thank you, Mr. Chairman, over the past two weeks, protesters have taken to the streets demanding justice: Justice for George Floyd and Breonna Taylor and Ahmaud Arbery and so many other Black Americans who have been killed in acts of extraordinary violence, too often at the hands of police.

And justice for millions of Americans who for hundreds of years have lived under a system that perpetuates inequality and systemic racism.

Protestors young and old, Black and white, in urban and rural communities are all marching, like generations before them, risking their lives, praying for and demanding justice—and real change.

They are demanding economic justice. Our society calls their work essential but pays too many "essential workers" so little they can't afford an apartment, much less dream to own a home.

Millions of workers don't have a bank account, and saving for retirement is out of reach. They don't benefit when the Dow Jones hits 27,000.

Americans are demanding reforms to our criminal justice system, an equitable healthcare system that protects Black and brown mothers and their babies, and support for Black and brown communities, so another economic crisis doesn't leave them further behind Wall Street and the wealthy and privileged.

Both of you before us today are central to that fight for economic and racial justice.

HUD's mission was shaped by our Nation's struggle for civil rights.

Just 6 months after John Lewis and the footsoldiers of Selma were beaten crossing the Edmund Pettus Bridge, President Lyndon B. Johnson signed the bill that created HUD to address the need for investment in communities that had been left behind.

Shortly after HUD's creation, the Kerner Commission warned that our Nation was moving towards "two societies, one Black, one white—separate and unequal."

It took the assassination of Martin Luther King, Jr., for Congress to act on one of the central recommendations of that report—creating a fair housing law.

Fifty years ago, Congress entrusted HUD with implementing the Fair Housing Act. Our country charged your agency with rooting out discrimination, and actively working to make it easier for EVERYONE to find and afford a home.

Fundamentally, we all pretty much want the same thing—a place that's safe, in a community we care about, where we can get to work and our kids have a good school, with room for our family—whether that's three kids, or an aging parent, or a beloved pet.

All of us should get to define what home looks like for us. We should be able to find it and afford it without crippling stress every single month. And everyone should have the opportunity to build wealth for their family by owning a home.

To make that the reality for everyone, we can't rely on the housing market to sort itself out—not when centuries of discrimination are baked into it, not when we have decades of laws that distort the market in favor of banks and against families.

That's what your job is—to fix that.

Secretary Carson—under your leadership, instead of addressing the deep inequities in our housing system, you are trying to systematically dismantle basic civil rights protections that previous generations marched for and endured beatings for and laid down their lives for.

And your Department refuses to do its job of promoting economic inclusion and undoing the historic, Government-driven patterns of housing discrimination like redlining and restrictive covenants.

You want to abandon the legal standard—affirmed by the Supreme Court—used to bring housing discrimination lawsuits.

This isn't just my opinion—look at letter after letter that civil rights leaders sent to your agency, opposing your actions.

And both heads of the agencies before us today are pushing plans that will to make home ownership more expensive and harder to get, particularly for borrowers of color.

This is what happens when the ideologues in this Administration push Wall Street's agenda, instead of what people actually need.

Before this pandemic hit, families of color were spending more of their income on housing than white families, and they were disproportionately likely to experience homelessness.

This was fueled in part by the Federal Government's failure to protect Black and brown and immigrant borrowers from predatory subprime lenders before the 2008 crisis, despite knowing that lenders were targeting them.

Forty years of gains in Black home ownership and wealth were eviscerated.

Now, Black families are experiencing this public health and economic crisis with just one-tenth of the wealth of White families, and they're more likely to work at jobs where their corporate employers didn't pay them enough to begin with.

We are dangerously close to repeating the mistakes of a decade ago. Nearly half of Black and 40 percent of Latino renters report that they're unlikely to be able to make their next payment.

We're in the middle of a crisis. And you either don't know, or don't care.

You're plowing ahead with undoing civil rights protections, while in Ohio they're reopening eviction courts. Twenty million Americans are unemployed. Some have been able to pay the rent or the mortgage but only because we passed emergency Unemployment Insurance earlier this year. It's set to expire this summer—and the president and Leader McConnell are refusing to extend it. Of course we shouldn't be surprised—it's all part of Republican leaders' decades-long effort to weaken this social insurance that all of us pay into.

Leader McConnell and President Trump see no urgency—Leader McConnell's words, no urgency—to help people.

Democrats have plans to get more help directly to working families. Our emergency rental assistance bill provides $100 billion to help with rent and utility bills, so we can help renters avoid impossible choices—between rent and groceries, or prescriptions, or draining their savings, or going to a payday lender. It already passed the House. But it is sitting on the Majority Leader's desk collecting dust. For millions of families, the bills keep coming and the clock keeps ticking and the stress keeps mounting.

Before this pandemic, President Trump and his wealthy cabinet members didn't realize or didn't care that behind the rosy stock market data, this economy was already broken for millions of workers—and for Black and brown workers, it never worked to begin with.

And now the Trump administration either doesn't realize or doesn't care that the bottom is falling out for those families.

People are tired of the lack of action and the lack of accountability. Before the pandemic, the Trump administration's idea of housing "reform" was to, quote, "level the playing field" . . . for Wall Street.

That might be the definition of "out of touch."

Enough is enough. Today we want to hear that you understand both the magnitude of the current crisis, and the inequities built into our housing system for generations. It's about time you actually going to do something to fix it, instead of making it worse.

PREPARED STATEMENT OF BENJAMIN S. CARSON

SECRETARY, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

JUNE 9, 2020

Chairman Crapo, Ranking Member Brown, and Members of the Committee, thank you for this opportunity to discuss the steps the U.S. Department of Housing and Urban Development (HUD) is taking to maximize our Nation's response to the COVID–19 National Emergency. These actions reflect both my work with the White House Coronavirus Task Force and the measures developed at HUD to protect the health and safety of the American public.

I want to begin by recognizing the unprecedented healthcare and economic challenges facing Americans today. This disease is impacting families and communities across the Nation. As HUD Secretary, my highest priority has been to ensure Americans don't lose their homes and to safeguard those at greatest risk of the virus—including homeless and low-income communities.

I also want to thank our Nation's medical professionals and first-line responders who have sacrificed so much to keep Americans safe and healthy. As a medical doctor, I am inspired daily by their unwavering commitment to their fellow citizens.

Coronavirus Aid, Relief, and Economic Security (CARES) Act

On March 27, President Trump signed into law the CARES Act. In total, the CARES Act provided more than $12 billion in funding to HUD programs. Recognizing the unprecedented nature of the global pandemic, I directed my staff to immediately begin the process of getting these funds to communities most impacted by COVID–19.

As of the beginning of the month, HUD has announced allocations for over $6 billion in funding. This includes:

- $3 billion in Community Development Block Grant (CDBG) funds
- $1 billion in Emergency Solutions Grant (ESG) funds
- $685 million for the Public Housing Operating fund
- $380 million for Tenant Based Rental Assistance (TBRA)
- $800 million in Project Based Rental Assistance (PBRA)
- $200 million in Indian Housing Block Grant (IHBG) funds
- $75 million for the Section 811 Mainstream Housing Choice Voucher program
- $65 million in Housing Opportunities for Persons with AIDS (HOPWA) funds

In the coming weeks, HUD will continue to expedite getting the funding provided by the CARES Act into the hands of communities.

Federal Housing Administration (FHA)

Prior to the passage of the CARES Act, FHA acted quickly to help protect single-family homeowners who lost their jobs or were experiencing economic hardship as a result of COVID–19 by implementing a 60-day moratorium on foreclosures and evictions, which was subsequently extended through June 30. The CARES Act also provided a 120-day eviction moratorium for tenants in certain federally supported rental properties, including properties with FHA-insured single-family or multi-family mortgages.

FHA further announced a tailored set of mortgage payment relief options for single-family homeowners with FHA-insured mortgages who are experiencing financial hardship because of the pandemic. This includes CARES Act forbearance, which allows borrowers to request up to 6 months of forbearance and extend for up to six months. Also included was an extension period for calling a loan due for those with a Home Equity Conversion Mortgages (HECM).

FHA also implemented the COVID–19 National Emergency Standalone Partial Claim for borrowers on forbearance. This option will help eligible homeowners resume their mortgage payments and avoid a "lump sum" repayment of arrears by deferring repayment to the end of the mortgage.

Ginnie Mae

Ginnie Mae expanded its pass-through assistance program (PTAP) to help address potential issuer liquidity challenges caused by borrower forbearance requirements implemented by FHA and other Federal mortgage insurance programs. PTAP provides last-resort financing to cover the difference between issuers' available funds and scheduled payment of principal and interest (P&I) to mortgage-backed security (MBS) holders. The timely payment of P&I to MBS holders, consistent with Ginnie Mae's statutory guaranty, is essential to the liquidity of the MBS market and the confidence of investors who finance housing through the Ginnie Mae program.

White House Opportunity and Revitalization Council

In December 2018, President Trump signed Executive Order 13853 establishing the White House Opportunity and Revitalization Council. I have had the honor of chairing this Council since its establishment.

In response to the ongoing and unprecedented global pandemic, President Trump has directed me and the Council to utilize its talented structure and build on its original intent with a renewed focus to expand efforts to protect and promote our most vulnerable communities. The Council will work to ensure that minority and underserved communities are kept safe from this invisible enemy, now and into the future. In the coming weeks, the Council will identify different policy approaches needed to help advance opportunity for these communities.

Conclusion

Thanks to the leadership of President Trump, I'm proud of the work this entire Administration—and especially the 7,500 employees of HUD—are doing each and every day to fight this invisible enemy and meet the needs of the American people. I'm grateful to this Committee for its bipartisan commitment to meeting this challenge. Thank you.

PREPARED STATEMENT OF MARK A. CALABRIA

DIRECTOR, FEDERAL HOUSING FINANCE AGENCY

JUNE 9, 2020

Chairman Crapo, Ranking Member Brown, and distinguished Members of the Committee, thank you for the invitation to appear at today's hearing.

The Federal Housing Finance Agency (FHFA) has acted swiftly and prudently to respond to COVID–19. We continue to update our policies as the challenges facing renters, borrowers, and market participants evolve. We have worked in close partnership with FHA and Ginnie Mae in developing many of our policies. I want to thank Secretary Carson, HUD Deputy Secretary Montgomery, and Acting Ginnie Mae President Seth Appleton for their partnership and leadership.

FHFA's Actions to Protect Agency Workforce and Maintain Mission Focus

FHFA's hard-working employees are the Agency's greatest asset. Their well-being is my top priority. Our teleworking flexibilities have enabled our staff to remain safe and manage at-home obligations, while continuing to fulfill the Agency's vital mission.

The FHFA team has gone above and beyond during these uncertain and challenging times. In March, our telework test transitioned the very next day into full-time mandatory telework for the Agency. FHFA employees quickly adapted to the new environment and the Agency maintained continuity of operations during this crisis with crucial support from the Office of the Chief Operating Officer.

The Office of Technology and Information Management has kept the FHFA workforce productive and connected by rapidly deploying critical remote tools and staff training, meeting employees' IT equipment needs, and safeguarding the Agency's network capacity, connectivity, and security. The Office of Facilities Operations Management has established protocols and procedures for keeping our employees and headquarters safe and healthy, working tirelessly to provide employees with the equipment and office supplies needed to set up and sustain their remote workstations. The Office of Human Resources Management has been instrumental in ensuring employees have the support they need to remain engaged and productive, including by developing work schedule and leave flexibilities, expanding the Agency's Employee Assistance Program, and meeting special accommodation requests resulting from our remote-work posture.

Across the board, the FHFA team has seamlessly transitioned to a virtual environment. This includes the hiring, on-boarding, and training processes that are essential for FHFA to continue developing and retaining a highly talented and effective workforce. The Office of Budget and Financial Management and Enterprise Program Management Office, working with FHFA's COVID–19 Task Force, have helped the Agency stay coordinated on the updated guidance provided by various Government entities, health officials, and local authorities. I am proud of the flexibility, cooperation, and hard work of every member of the FHFA team during this pandemic.

The Office of Congressional Affairs and Communication has remained engaged with and accessible to members of Congress and their staff. Since March, FHFA's legislative affairs team has held dozens of remote congressional meetings and briefings to discuss Agency policies and provide technical assistance with legislation. This is a testament to FHFA's dedicated staff and our ongoing commitment to responding to congressional inquiries in a timely manner, maintaining transparency, and connecting the Agency's many subject matter experts to legislative staff.

In responding to the COVID–19 national emergency, FHFA has worked closely with our peer financial regulators and other Federal agencies. Through regular communication channels, FHFA and these agencies continue to share, in real-time, challenges, ideas, and solutions to help each other develop best practices based on the latest guidance available. Timely information sharing has enabled FHFA to respond to evolving COVID–19 related challenges in a rapid, nimble, and effective manner.

FHFA has continued to foster an environment where everyone feels safe, respected, and valued for our differences. The senseless violence and loss of innocent life that has roiled our Nation in recent weeks—and that tears apart too many communities across the country—highlight the importance of this work both in the workplace and beyond. The unrest across our Nation in recent weeks reaffirms why fairness, diversity, and inclusion are core values for me personally and our Agency. FHFA has one of the most diverse workforces amongst Federal regulatory agencies. Our diversity is—and will remain—a key source of FHFA's success. I commend FHFA's Office of Minority and Women Inclusion (OMWI) for its steadfast support of the Agency's workforce during this time. This includes OMWI's work, with my support, to launch FHFA's Diversity Advisory Council, which aims to ensure diversity in all aspects of the Agency's employment and contracting practices and to create regular programs that engage employees on professional and personal diversity and inclusion issues. OMWI is also playing an essential role in helping FHFA employees affected by the recent events and tensions across the country, offering training, listening sessions, and other resources.

Across all divisions and offices, FHFA's employees have remained focused on fulfilling the Agency's important mission, united by a shared vision that, during this crisis, Americans should not have to worry about losing their homes. We have worked closely with our regulated entities, Fannie Mae and Freddie Mac (the Enterprises) and the Federal Home Loan Banks (FHLBanks), to support borrowers and renters, while ensuring the proper functioning of the mortgage market both during and after this crisis. Our actions have been—and continue to be—data driven.

FHFA's Strong Research Capabilities Are Key to Agency's Data Driven Policymaking

Through oversight of the regulated entities, FHFA collects and analyzes a significant amount of data on trends in the housing and mortgage markets. This enables the Agency to respond appropriately to market developments, promote market efficiency and stability, and disseminate information to improve the public's understanding of housing finance markets. Economic research and data analytics are core competencies of effective safety and soundness supervision, which is essential to preparing the Agency and the Enterprises to responsibly exit and operate safely outside of conservatorship. That is why, from the beginning of my term, one of my top priorities has been to strengthen FHFA's research and data analysis capabilities.

For instance, the Agency has enhanced the accessibility of existing data products, such as quarterly and monthly house price indexes (HPIs). FHFA produces the Nation's only public, freely available HPIs that measure changes in single-family house prices based on data that cover all 50 States and over 400 American cities and extend back to the mid-1970s. The HPIs are built from tens of millions of home sales and offer insights about house price fluctuations at the national, census division, State, metro area, county, ZIP code, and census tract levels. On May 26, with the publication of the HPI report for the first quarter of 2020, FHFA launched a new interactive dashboard, available on the Agency's website, that illustrates house-price trends across the top 100 Metropolitan Statistical Areas.

In addition to increasing the exposure of existing data products, FHFA has taken several steps to elevate and expand the Agency's research capabilities and contributions. In January 2020, as part of an organizational realignment, FHFA created the Division of Research and Statistics (DRS) to strengthen the Agency's data collection and analysis capabilities. DRS is FHFA's center for economic and market research, data development, and statistical analysis to support the Agency's divisions and offices engaged in oversight, supervision, rulemaking, and policy development. The division examines trends and risks in housing and housing finance markets, advances modeling capabilities, develops and maintains data, evaluates policy impacts, and engages with research communities outside of the Agency.

The research and data analysis capabilities that FHFA created and continues to strengthen within DRS have been critical to supporting the Agency's data-driven response to COVID–19. For instance, DRS has enhanced FHFA's capacity to monitor housing and mortgage markets by leveraging existing data sources and seeking out new ones. This has provided a comprehensive view of the state of the mortgage market prior to the pandemic and it has enabled FHFA to understand, in real time, how circumstances have changed over the course of the crisis.

The State of the Market Before and During COVID–19 Crisis

At the start of 2020, the American housing market was in a strong position. A low interest rate environment and stable labor markets drove robust demand and price appreciation. Home price growth in the first quarter of 2020 outpaced annual growth from the same period a year ago as falling interest rates and shrinking inventories for sale led prices higher just prior to the COVID–19 crisis. Nationwide, house prices increased 1.7 percent in the first quarter of 2020, up 5.7 percent compared to the first quarter of 2019. FHFA's seasonally adjusted monthly index for

March was up 0.1 percent from February. Because of the lag between contract signing and sale closing when FHFA's data are recorded, the first quarter's housing statistics were relatively unaffected by the COVID–19 outbreak. However, this does not account for any modifications or cancellations of sales later in March.

Existing home sales had been on a steady upward trajectory since early 2019, after declining throughout 2018 due to rising rates. The National Association of Realtors' months' supply of existing homes for sale in February reached its lowest level since the series started in 1999, driving home prices upward at a faster rate in the first quarter. Single-family housing starts in February 2020 reached the highest 3-month rate since November 2006, on a seasonally adjusted basis, after more than 10 years of slow but steady increases.

In response to COVID–19, financial markets endured a severe dislocation in March. Uncertainty over public health and the economic impacts of the pandemic caused financial liquidity to dry up, significantly disrupting the financing, lending, and hedging activities of mortgage lenders as well as many other market participants. Spreads between the 30-year fixed rate mortgage rate and 10-year Treasury yield widened during this period. Even Treasuries experienced periods of rising yields as a marketwide rush to cash led investors to sell off their most liquid assets in response to redemption demands.

Employment fell by more than 20 million jobs between February and May, an unprecedented demand shock and hardship to households. The unemployment rate reached 13.3 percent in May from its 50-year low of 3.5 percent in February. Despite the dramatic drop in demand, the months' supply of existing homes for sale remained near historic lows in April as the inventory of homes available for sale also decreased. This has thus far provided support to home prices. In the multifamily market, thus far, turnover has been lower than normal, and more renters are continuing to pay rent than projections had forecasted.

FHFA's Policy Response: Supporting Borrowers and Renters

From the beginning of this crisis, FHFA's policy, conservatorship, and research teams have worked together to produce forecasts and estimates of the future impact of COVID–19 on our mortgage market, based on key indicators such as unemployment insurance claims and house prices. They have also developed models to support decision making regarding loan modifications, servicing, and other issues. This internal research, monitoring, and analysis have helped to inform and guide FHFA's policy actions.

One of our top priorities has been to support renters and homeowners struggling to pay for housing because of COVID–19. To do this, FHFA has directed the Enterprises to put in place certain protections. The Enterprises own or guarantee approximately $5.7 trillion in mortgages. That includes about 43 percent of multifamily units, which represents about 8.6 million households and more than half of single-family mortgages or about 28 million homeowners. FHFA's policies apply to all single-family homeowners and multifamily property owners with an Enterprise-backed mortgage. In addition, FHFA's policies also help to set workable standards for the entire market.

For homeowners facing foreclosure before COVID–19, we suspended all foreclosures and evictions for at least 60 days. FHFA later extended this foreclosure and eviction moratorium through at least June 30.

For borrowers financially impacted by COVID–19, we allowed homeowners to take a timeout from mortgage payments through forbearance. We then announced that borrowers in forbearance who can return to making their regular monthly payments can repay missed payments when they sell their home or refinance their loan. This new payment deferral option simplifies options for borrowers and provides an additional tool for mortgage servicers.

FHFA also took action specifically to protect renters struggling to pay rent because of COVID–19. It is important to recognize that the Enterprises do not have a contractual relationship with tenants. Their relationship is with the property owners or landlords. Therefore, if a multifamily loan is performing and the property owner does not seek forbearance, the Enterprises cannot impose requirements on the landlords.

On March 23, FHFA announced the Enterprises' policies providing a forbearance option for multifamily property owners with an Enterprise-backed mortgage that prohibits tenants from being evicted for the nonpayment of rent during forbearance. On March 27, the President signed the CARES Act, which provides a 120-day eviction moratorium for renters in properties with an Enterprise-backed mortgage, even if the property owner does not enter forbearance. As a result, renters living in multifamily properties with an Enterprise-backed mortgage cannot be evicted for either 4 months or the duration of the property owner's forbearance period, whichever is longer; and all late fees, charges, and penalties are waived for both borrowers and tenants during the eviction moratorium or forbearance period.

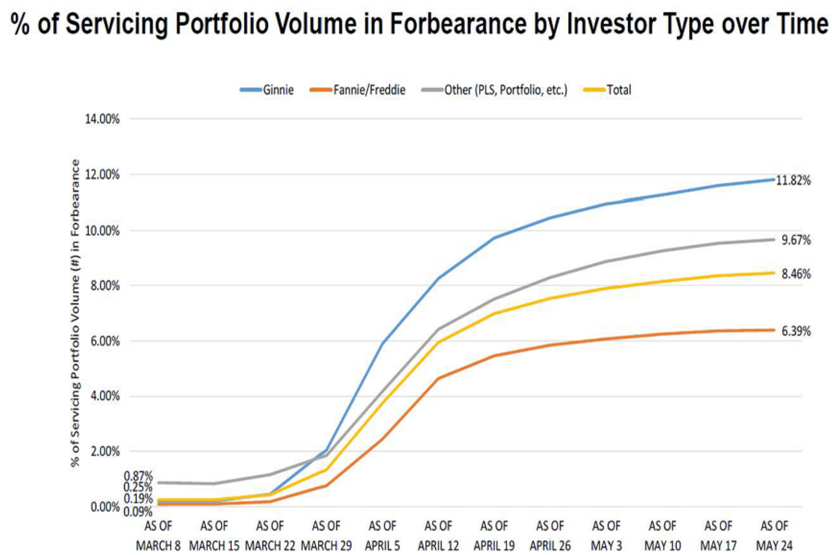
While the single-family forbearance program was modeled on prior disaster response efforts, the multifamily forbearance programs with tenant protections were developed from the ground up. After putting these programs in place, at FHFA's direction, the Enterprises created online lookup tools that show whether a single-family or multifamily property has a mortgage owned or guaranteed by Fannie Mae or Freddie Mac. This information indicates whether renters are covered by the CARES Act's eviction protections and whether single-family borrowers are eligible to apply for forbearance.

Since implementing the single-family and multifamily forbearance programs, FHFA has closely monitored the data to understand the responses by borrowers and the market. As a staffer on this Committee during the 2008 financial crisis, I saw firsthand the importance of resisting the pressure to "act first, analyze later" that arises in a period of financial stress. In a crisis, panic can lead to ill-conceived policy responses and send confounding signals to the market. It is imperative to remain calm and make decisions based on careful, thoughtful analysis of the most up-to-date data available. This has been a fundamental objective of FHFA during the COVID–19 national emergency.

Early in the crisis, there were a wide variety of predictions about the future effects of COVID–19 on housing markets. Some observers contended that forbearance rates would reach as high as 25 to 50 percent. Given the unprecedented nature of the pandemic and the high degree of uncertainty about the economic impact, FHFA carefully monitored the data we received from our Division of Research and Statistics, the Enterprises, and market participants to ensure we were developing and updating our policies in response to the facts on the ground. At this point, I remain encouraged by what the data is telling us about the trajectory of forbearance rates.

Data developed internally at the Enterprises and by industry groups indicate that Enterprise forbearance rates remain manageable. After rising precipitously in April, the rate of forbearance uptake slowed during the last few weeks of May. According to data released by the Mortgage Bankers Association, as of May 24, 6.4 percent of total Enterprise-backed mortgages were in forbearance, compared to 11.8 percent of mortgages backed by Ginnie Mae (see Figure 1). In March, just over 1 percent of borrowers with loans in Enterprise mortgage-backed securities (MBS) were 30- or 60-days delinquent on payment. By May, this rate increased to 5.2 percent, according to RiskSpan. The 30- and 60-day combined delinquency rate remains below the estimated rate of forbearance as some borrowers who have requested forbearance are nonetheless continuing to make payments on their loan. FHFA's internal analysis shows that approximately 130,000 units of multifamily housing are in properties receiving forbearance from Fannie Mae or Freddie Mac, representing about 1.5 percent of outstanding multifamily mortgage balances at the Enterprises.

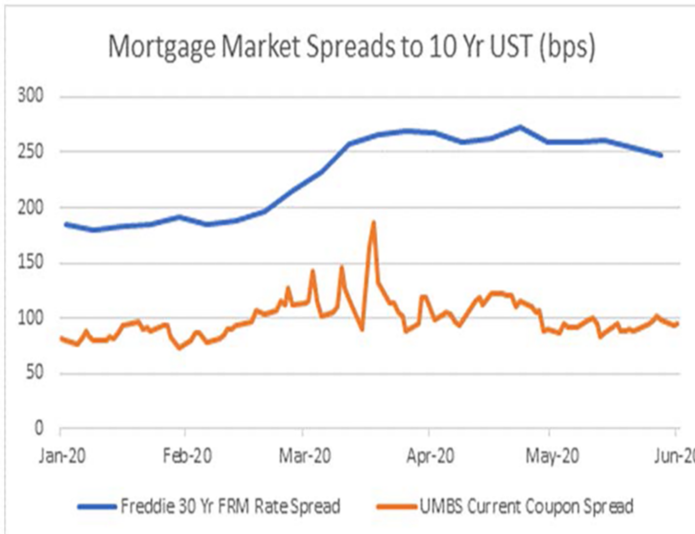
Figure 1



**Source: Mortgage Bankers Association*

The mortgage market still faces challenges. Responding to substantial Federal support in the form of MBS purchases by the Federal Reserve, spreads between the current coupon MBS and 10-year U.S. Treasury have largely returned to levels observed at the beginning of 2020, at least for the to-be-announced (TBA) market. On the other hand, spreads between the 30-year fixed mortgage rate and the 10-year Treasury yield remain high. These primary market spreads have declined in recent weeks, but they have not yet returned to precrisis levels (see Figure 2). This is likely a result of ongoing uncertainty about the pace of economic and labor market recovery, the impacts on mortgage servicing rights, and constrained lender capacity to absorb increased levels of borrower demand.

Figure 2



**Source: Freddie Mac Primary Mortgage Market Survey, Bloomberg, U.S. Treasury*

However, current mortgage rates reported by Freddie Mac and the Mortgage Bankers Association are at the lowest point on record in the series dating back to 1971 and 1990, respectively. And FHFA continues to work with the Enterprises to ensure that borrowers can access new purchase and refinancing opportunities at historically low rates. For instance, at FHFA's direction, the Enterprises have issued new guidance that borrowers in forbearance who continue to make payments will be treated as current when it comes to refinancing their loan or buying a new home. In addition, borrowers' credit history will not be negatively impacted by entering a COVID–19 related forbearance plan.

We have also helped clarify consumers' options. We have emphasized that those who can make their mortgage payments should continue doing so. We updated the scripts that servicers use when talking to borrowers about forbearance. We have emphasized to servicers and the public that no lump sum repayment is required at the end of forbearance. We partnered with the Consumer Financial Protection Bureau to launch the Borrower Protection Program. And FHFA helped develop a website that consolidates Federal information about mortgage relief options, renter protections, and how to avoid scams.

FHFA's Policy Response: Ensuring the Proper Functioning of the Mortgage Market

Working with our regulated entities, FHFA has also taken several steps to ensure the mortgage market continues to function properly both during and after this crisis.

To ensure the safety of market participants, FHFA authorized several loan-closing, employment-verification, and appraisal flexibilities. The changes include allowing desktop and exterior-only appraisals, providing alternative methods to demonstrate construction completion and satisfy borrower documentation requirements, allowing renovation disbursements, and expanding the use of power of attorney, appraisal waivers, and remote online notarization. FHFA put these flexibilities in place for 60 days and then extended them through at least June 30.

Moving forward, we will continue to closely monitor the situation and update our policies based on what borrowers, appraisers, lenders, Government services, and other market participants are experiencing on the ground. This crisis has highlighted how much of the real estate process as we know it currently depends on face-to-face interactions. Changes made in response to the pandemic will likely accelerate the uptake of streamlined methods and models, jumpstarting the use of more e-mortgage tools across the industry. As business practices adapt to new realities, FHFA will continue working with stakeholders, consumer groups, and other regulators to streamline the homebuying process in a prudent manner that meets the health needs of the Nation.

In April, FHFA recognized that nonbank servicers needed clarity to serve the market through the crisis. In response, we instituted a four-month limit on servicers' obligations to advance principal and interest payments on loans in forbearance. When a mortgage loan is in a MBS, Fannie Mae servicers with a scheduled payment remittance had been responsible for advancing the principal and interest payment regardless of borrower payments. Freddie Mac servicers, who are generally responsible for advancing scheduled interest, are only obligated to advance four months of missed borrower interest payments. FHFA's policy established a 4-month advance obligation limit for Fannie Mae scheduled servicing, which is consistent with the current policy at Freddie Mac.

To keep the mortgage market working for current and future borrowers, and to help originators continue lending, FHFA enabled the Enterprises for a limited period of time to purchase certain single-family mortgages in forbearance that meet their criteria. Charging a fee for these transactions is consistent with FHFA's statutory mandate to "preserve and conserve assets" and the Enterprises' charter requirement to purchase only those loans that meet the standards imposed by private institutional mortgage investors. Prior to this, the Enterprises had never purchased loans in forbearance. Our policy provides a new option to lenders and the Enterprises.

Additionally, FHFA took several steps to ensure the Federal Home Loan Bank System could continue to support member liquidity and housing finance markets. We relaxed liquidity requirements in a countercyclical fashion. We reminded the FHLBanks of their obligation to offer advances up to 10 years in maturity to meet their members' needs and their ability under FHFA regulations to provide below-cost advances during disasters like the COVID–19 pandemic.

We allowed the FHLBanks to accept Paycheck Protection Program loans as collateral when making loans to their members and allowed them to accept as collateral loans that have been modified or that are in COVID–19 related forbearance. To avoid exacerbating potential liquidity problems, FHFA deferred certain deadlines related to the FHLBanks' transition from LIBOR-based exposures, while continuing our efforts to prepare for the eventual end of LIBOR. To protect the safety and soundness of the FHLBanks, FHFA issued guidance related to collateral and pricing policies aimed at ensuring that all members are treated fairly and that every FHLBank can continue to provide liquidity to institutions and communities in its district.

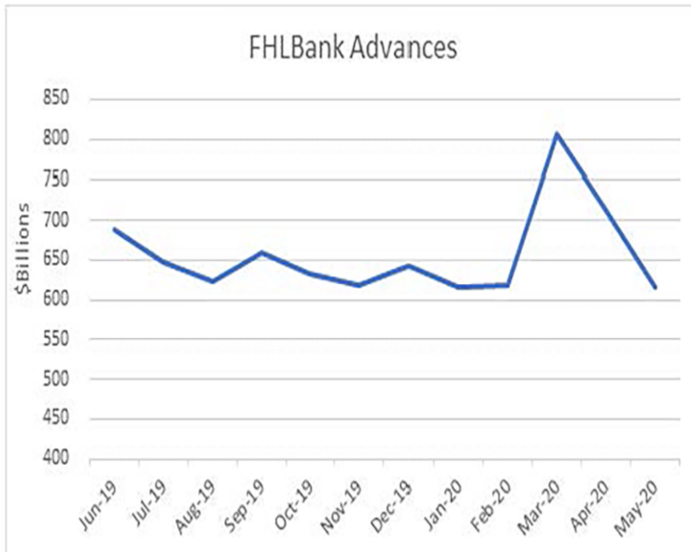
It is important to recognize the vital support that the FHLBanks provided to the market in response to the financial stress caused by the pandemic. A core function of the FHLBanks is to provide liquidity in times of stress. This support is critical for small and community banks that often do not have access to other sources of low-cost funding. When the COVID–19 crisis began, the FHLBanks stepped up to keep liquidity in the market, meeting unprecedented advance demand from their member financial institutions.

In March, while other liquidity sources dried up, FHLBank System advances grew by $189.4 billion—or 30.7 percent—at their peak. For the quarter ending March 31, FHLBank System advances increased 25.8 percent to $806.9 billion. While access to long term debt markets was severely limited, the System was able to fund this increased advance demand largely through discount notes and floating rate bonds indexed to the Secured Overnight Financing Rate (SOFR). For the first quarter of 2020, outstanding debt increased to $1.18 trillion, growing at the fastest pace in recent history.

As advances and assets grew, earnings decreased significantly because of reduced net interest spread and mark-to-market accounting effects. Compared to the fourth quarter of 2019, net interest income fell a substantial $350 million (28.6 percent) to $872 million, and net income decreased $262 million (29.5 percent) to $627 million. Nevertheless, for the first quarter of 2020, FHLBank System retained earnings grew $141 million to $20.7 billion, or 1.6 percent of total assets.

Following the injections of liquidity provided by the Federal Reserve and the CARES Act, the FHLBanks' balance sheets—both advances and debt outstanding—have fallen to or below precrisis levels (see Figure 3). This is exactly what the FHLBanks are supposed to do as countercyclical providers of liquidity. And it is why FHFA is focused on protecting the System's safety and soundness. It is critical that the Banks remain capable of being a source of liquidity when their members and the economy need it most.

Figure 3



**Source: Office of Finance, FHLBanks*

Assessing FHFA's Policy Response: The State of the Market Today

I am proud of what FHFA has done to help borrowers, renters, and the housing market deal with this crisis. FHFA recognizes that more work remains. The crisis caused by COVID–19 is not over. The full economic and financial impact of the pandemic is not yet known. The future state of the labor market remains uncertain. The mortgage market is still under stress. For these reasons, the FHFA team is still hard at work to ensure our policies continue to respond to the challenges as they evolve. We remain committed to working with other Federal agencies, Congress, our regulated entities, and stakeholders to get through this difficult time. That said, at this point, I am encouraged by what the data tells us about the state of the mortgage market and the capacity of servicers following FHFA's robust policy response.

Total monthly Enterprise principal and interest payments are approximately $32 billion. Of that, about 40 percent, approximately $13 billion, of the advance obligation rests with the Enterprises. About $11 billion, approximately a third, rests with depositories. Therefore, roughly $8 billion, approximately a quarter, of the potential monthly advance obligation rests with nonbanks. At a 6.5 percent forbearance rate this translates into approximately $520 million per month of nonbank incremental advance needs. And, as noted above, not all borrowers in forbearance have stopped making mortgage payments. As a result of FHFA's 4-month limit on servicers' obligations to advance principal and interest payments on loans in forbearance, nonbanks' total 4-month obligation is approximately $2.1 billion.

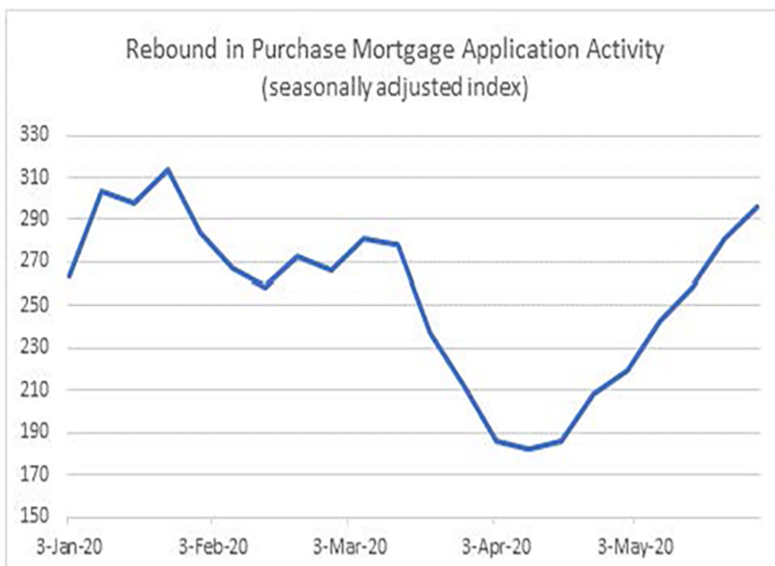
Were forbearance rates to rise dramatically to 15 percent, nonbank servicers' monthly advance obligations would be roughly $1.2 billion. FHFA's analysis of servicer capacity indicates that servicers as a whole have multiples of that number available should they need it. FHFA's internal modeling projects that forbearance rates will not reach as high as 15 percent. But this type of analysis provides useful context to the forbearance rates we are seeing today. In addition, both Fannie Mae and Freddie Mac programs allow servicers to use a portion of mortgage payoffs from refinancings to help cover these advance obligations. This has a significant impact especially under the Fannie Mae program.

In addition, servicers have recently increased their available liquidity. Total nonbank liquidity increased by 9 percent to $36 billion in the first quarter of 2020. Of that, unencumbered cash and equivalents made up $13 billion, an increase of 19 percent from December 31, 2019. At the end of April, nonbank servicers' cash positions improved compared to the end of March and profitability increased. This was driven by the stability in the 10-year Treasury bond, which led to stability in mortgage servicing rights (MSR) values combined with strong volume and wide margins.

Servicing buyers are beginning to return to the MSR purchase market, providing access to liquidity especially for smaller firms that have been forced to hold servicing. Lenders have shown a willingness to renew warehouse lines of credit and some appetite to offer new credit for MSR Advance Facility Financing.

Following some contraction in mortgage market activity in March and April, the purchase market appears to be rebounding (see Figure 4), and combined purchase and refinance mortgage application activity has increased to levels last seen in 2013. According to analysis by the American Enterprise Institute based on data from Optimal Blue on mortgage loan applications receiving rate locks in May, average credit scores, debt-to-income, and loan-to-value ratios have not changed dramatically on a year-over-year basis for conventional loans. The Enterprises, at the direction of FHFA, will continue to take measured and responsible steps to maintain a prudent risk profile and address layered risks. Moving forward, FHFA will continue to closely monitor all sources of market data and let the data drive our decisions.

Figure 4



**Source: Mortgage Bankers Association*

Looking Ahead: The Urgent Need To Build Capital at the Enterprises and Advance Housing Finance Reform

But this does not mean that all is well. This crisis has provided ample evidence of the critical vulnerabilities in our mortgage system that put taxpayers and our housing market at risk. Most notably, Fannie Mae and Freddie Mac lack the capital to withstand a serious housing downturn. This undermines their countercyclical role and jeopardizes their important mission.

To provide the Enterprises a stronger foundation on which to weather periods of financial stress, on May 20, FHFA released a reproposed capital rule. This rule will help each Enterprise become safe and sound to fulfill its statutory mission across the economic cycle. It is essential to building a strong, resilient housing finance system that supports sustainable and affordable home ownership.

Only Congress can enact the reforms necessary to fix the structural flaws in our housing finance system. To that end, next week, I will submit FHFA's Annual Report to Congress that includes several legislative recommendations to strengthen FHFA with additional regulatory and supervisory authorities similar to those of other independent Federal financial regulators. I stand ready to work with all who share the goal of building a stronger, more resilient housing finance system in America.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR BROWN FROM BENJAMIN S. CARSON

Q.1. Under a final rule issued in December 2016, all housing counselors at HUD-certified housing counseling agencies must complete individual HUD certification by August 1, 2020, in order to provide counseling services. The COVID–19 pandemic may pose challenges to completing the testing requirement for certification, particularly if a counselor does not have the technological capability necessary to complete an online exam and planned to sit for an in-person, proctored exam. According to the latest information available from HUD Exchange, in 15 States less than 40 percent of counseling agencies had even one counselor who had completed certification. Lack of certified counselors could pose a challenge to helping the many homeowners and renters who will face housing challenges in the months ahead.

How will HUD ensure that counselors at HUD-certified counseling agencies have sufficient time to complete the certification process so that all States will have the necessary counseling resources for homeowners and renters? Will HUD move the August 1, 2020, deadline or otherwise alter certification requirements to ensure there are sufficient resources available in all States?

A.1. HUD's Office of Housing Counseling has focused its work throughout the past year to ensure that housing counselors and housing counseling agencies have sufficient time and resources to prepare for and successfully complete the HUD Housing Counselor certification examination. Because of the difficulty adding new certified counselors due to the pandemic, HUD published an Interim Final Rule effective July 31 that extended the certification deadline through August 1, 2021.

Q.2. Secretary Carson, in response to a question from Senator Scott about eviction moratoria, you said that HUD was interested in creating affordable housing. I share your interest in creating more affordable housing in all neighborhoods throughout the country. But new affordable units built in the coming years will not help families who are currently facing eviction. If they are displaced, these families may find themselves at increased risk of homelessness or doubling up, putting them at greater risk for contracting COVID–19. We have been told the homeless system already needs an additional $11.5 billion, on top of the $4 billion provided in the CARES Act, just to serve those without adequate, socially distanced shelter. That does not account for the increased need if more renters are displaced.

Secretary Carson, how do you propose to help renters—particularly those who were not receiving Federal assistance before the pandemic—so that they do not find themselves homeless in the coming weeks and months?

A.2. Earlier this month, the Administration issued its Executive order (EO) to temporarily HALT evictions during the COVID–19 pandemic. American renters who meet certain conditions cannot be evicted if they have exhausted their best efforts to pay rent, and are likely to become homeless as a result.

HUD continues to work with housing providers and renters to prevent any threat to the housing stability of Americans, which is central to their health and well-being, especially in the wake of the coronavirus. Since the onset of this pandemic, the Department has taken proactive measures to keep Americans in their homes, including allowing the use of CDBG–CV and ESG–CV for the purposes of rental assistance.

To assist families in mitigating any hardships that may arise, HUD has provided an Eviction Prevention and Stability Toolkit. The Toolkit encourages Public Housing Authorities (PHA) and Housing Choice Voucher (HCV) landlords to plan for and implement strategies to keep families stably housed and mitigate economic hardships due to Coronavirus. HUD also published a Multifamily Tenant Brochure to inform and address rent payment concerns of tenants living in multifamily properties.

The Toolkit is composed of a PHA best practices guide, tenant brochure with tips to avoid eviction, HCV landlord flyer to encourage engagement with tenants before the moratorium expires, and repayment agreement guidance in addition to sample documents to provide increased clarity for landlords and renters utilizing the resources.

For FHA-insured multifamily properties where the owner is receiving forbearance mortgage payment relief, tenants cannot be evicted solely for nonpayment of rent for the duration of the forbearance period. HUD issued guidance on July 1 for owners of these properties, including a new online brochure for owners to share with tenants.

Q.3. In response to a question from Senator McSally, you stated that struggling renters could have a reassessment of their income in order to obtain a rent adjustment so they can avoid falling behind on their payments. The ability to come in for a rent adjustment when a family loses a job or income is an important feature of the federally assisted housing programs, in that it helps residents weather job losses and downturns without the further setback of an eviction or accrual of debts they won't be able to repay. This feature also provides reassurance to landlords participating in the Section 8 voucher program that they will be paid in full. As you know, however, such rent adjustments are only available for federally assisted renters. As HUD reported in March 2020, HUD assists only about 1-in-4 very low-income renter households and only about 1-in-10 renter households nationwide, leaving 9 out of 10 renters unable to ask for the rent adjustment you described.

How does HUD propose to help the 9 in 10 renters who do not receive HUD assistance if they fall behind on rent payments, or are already 4 months behind, as Senator McSally described?

A.3. For those families that are income eligible for HUD programs, they are encouraged to apply to any and all programs for which they qualify. In addition to the regular HCV program, there are also more than 500,000 special purpose vouchers for specific populations, projects for elderly and disabled families and others that can assist our most vulnerable unassisted families.

Rental Assistance is also an eligible use of CDBG–CV funding, however, it is temporary assistance (6 months) and the families would need to work with the grantee to address longer term housing needs.

Q.4. Several times during the hearing, you referenced the National Multifamily Housing Council (NMHC) rental payment tracker data as evidence that renters are continuing to make rental payments. While the NMHC presents one data point, this data only represents about 25 percent of all units and those units are in professionally-managed buildings. According to the NMHC on its June 9th release, this data does not paint a full picture of what is happening across the rental market:

> "These are trying times for the country, and we are reminded on a regular basis how crucial safe and secure housing is during a period of uncertainty and upheaval, so we are glad to see that residents who live in professionally managed properties continue to pay their rent," said Doug Bibby, NMHC President. "While our Rent Payment Tracker metric continues to show the resilience and strength of the professionally managed apartment industry, it does not necessarily tell the whole story, as it doesn't capture rent payments for smaller landlords or for affordable and subsidized properties, and according to Harvard, more than half of renters with at-risk wages due to the pandemic live in single-family and small multifamily rentals with 2–4 units."
>
> "There are serious signs of economic dislocation outside of our reporting universe that underscore the need for Congress to pass a direct rental assistance program and extend unemployment benefits before it's too late," said Bibby. "According to the Harvard Joint Center for Housing Studies, nearly a fifth of households with at-risk wages in small multifamily apartments may have difficulty paying rent. In addition, 32 percent of renter respondents to the Census Bureau's Household Pulse Survey reported no or slight confidence in their ability to pay next month's rent."

In addition to the NMHC data you referenced, what other data sources, including those provided by other agencies like the U.S. Census Household Pulse data, does HUD use to monitor the rental market? Given the limitations of the NMHC data, will you appropriately caveat the use of this data in the future?

A.4. HUD is carefully monitoring the Census Pulse Survey data and working with the Census Bureau to edit the rent-related questions on the survey to improve its accuracy given the practices by property managers to collect partial rent payments throughout the month while still considering tenants current on rent. HUD is also working with industry partners to obtain rent payment data for Low-Income Housing Tax Credit and other professionally-managed subsidized rental housing.

It is HUD's experience that collecting complete, accurate, and timely data from the millions of owners of small rental properties is difficult. This is why HUD is very supportive of the Census Bureau's Pulse Survey.

Q.5. In response to a question from Senator Tester about the financial challenges facing smaller property owners if renters are unable to make payments, you stated that those property owners were eligible for PPP and that PPP seems to be meeting those needs. However, I continue to hear confusion about whether property owners are eligible for PPP based on the SBA's Interim Final Rule and FAQs, and the National Multifamily Housing Council reports that there is outstanding litigation on the issue. For PPP loans to be forgiven, the majority of the funds must go to payroll expenses, which may be a smaller proportion of the financial need for smaller or sole proprietor landlords.

Please clarify whether small landlords are eligible for PPP under SBA rules.

A.5. While the program has now terminated, the Small Business Administration is in the best position to respond to questions about PPP terms and conditions.

Q.6. Through the CARES Act, Congress provided almost $2 billion ($1.935B) to help local communities serve their residents through the Public Housing and Housing Choice Voucher programs. To date, only about $1 billion ($1.065B) has been made available to public housing agencies for these purposes. The nearly $900 million in CARES Act funds remaining are needed to help our lowest-income residents maintain stable and safe housing.

When and how do you plan to allocate the remainder of these funds?

A.6. All Public Housing Operating Funds ($685 million) provided through the CARES Act were obligated to PHAs on May 1, 2020.

The Office of Public and Indian Housing (PIH) published a notice on July 31, 2020, that established the eligibility criteria for the $400 million of supplemental HAP made available through the CARES Act. The supplemental HAP funding is available for PHAs that either (1) experience a significant increase in voucher PUC due to extraordinary circumstances (referred to as Extraordinary Circumstances), or (2) despite taking reasonable cost saving measures, as determined by the Secretary, would otherwise be required to terminate rental assistance for families as a result of insufficient funding (referred to as Shortfall Funds). The deadline for submitting Extraordinary Circumstances applications is October 31, 2020, and the eligibility evaluation and determination for funding awards will be performed on a rolling basis.

As of September 14, 2020, the Office of Housing Voucher Programs (OHVP) has made available $849.9 million of the CARES Act admin fee supplemental funding. PIH Notice 2020–08 made available $377 million, and PIH Notice 2020–18 made available $472 million. From this total, $841.7 was awarded to PHAs administering the HCV Program and $8.2 million for PHAs administering the Mainstream Vouchers.

Additionally, PIH Notice 2020–17 made available $400 million in CARES Act HAP supplemental funding to PHAs administering the HCV Program. So far, $257.5 million has been awarded under the Extraordinary Circumstances category for COVID–19 related PUC increases. Shortfalls Funds will be awarded in December 2020.

Finally, the OHVP, through PIH Notice 2020–20, made available $10 million to PHAs in CARES Act Mod Rehab HAP supplemental funding for owners participating in the Moderate Rehabilitation

Program to respond to COVID related HAP cost increases, including vacancy payments. So far, $9.42 million has been obligated, and the PHAs will request these funds through budget revisions.

Q.7. Senator Grassley and I have a bipartisan bill—the Fostering Stable Housing Opportunities Act—to make it easier for youth to access a voucher on demand as they age out of care anywhere in the country and encourage partnerships between housing and child welfare agencies. I am hopeful that Congress will enact our bill this year and set up a permanent pathway to housing stability for young people exiting foster care across the country.

In the meantime, Congress also provided $20 million in FY2020 funding to provide new Family Unification Program (or FUP) vouchers for youth. Half of these funds are to be made available for youth through noncompetitive allocations to PHAs that have partnered with child welfare agencies, akin to the model in our bill. But I understand these FY2020 funds haven't been made available yet. Ohio foster care alumni are concerned that youth will face homelessness if they exit care into this economic crisis.

Although HUD recently issued FY2019 FUP vouchers in April, they will be allocated to specific PHAs rather than being available nationwide as youth age out of care.

I know this is an issue of concern to you, as well, so I am hopeful that you will work to make the FY2020 funds available for youth quickly.

Can you tell me when you plan to make these new FY2020 FUP funds available for youth?

A.7. There has been no gap in the availability of Foster Youth to Independence (FYI) initiative vouchers. HUD continues to make awards under FYI utilizing 2019 Tenant Protection Voucher (TPV) funds. An Office of Public and Indian Housing (PIH) notice announcing the availability of up to $10 million from FY2020 will be announced in the fall of 2020. HUD also expects to be able to announce the availability of an additional $10 million to be made available competitively to serve the same population of foster youth.

Q.8. Mr. Secretary, I am concerned that there are certain CARES Act funds that has not yet been disbursed for use in our communities. For example, the Department has not yet disbursed the $50 million appropriated for the Section 202 program for housing for the elderly and the $15 million appropriated for Section 811 housing for persons with disabilities. In fact, HUD has not yet published guidance on how owners of these properties can apply for the funds.

These funds are urgently needed to help keep vulnerable elderly residents and those with disabilities safe during this pandemic, particularly those who live in buildings with congregate facilities. The nonprofit owners of this housing are responsible for the health and safety of their vulnerable residents and have incurred additional costs to meet these needs, including purchasing personal protective equipment for both staff and residents, adjusting staff hours and personnel, erecting barriers in dining areas, and other mitigation efforts to allow for appropriate physical distancing. Owners have also incurred expenses to help residents safely self-quarantine.

While the Multifamily Office at HUD has put out several FAQ Guidance documents, there is still significant uncertainty among sponsors regarding which expenses incurred to address the health and safety needs of residents during COVID–19 will be considered operating costs that are eligible for Federal support.

When does HUD plan to issue guidance to owners on eligible costs and process for applying for CARES Act funds necessary to keep residents safe during this emergency?

A.8. In responding to this unprecedented national emergency, HUD's Office of Multifamily Housing has attempted to balance the known financial impacts from COVID–19 with the significant uncertainty about both potential future impacts and the possibility of additional congressionally appropriated emergency funding. HUD has met with many stakeholders to learn about the impacts they are facing and is carefully monitoring the impact on residents in HUD-assisted properties.

HUD obligated a portion of the Section 202 CARES Act supplemental funds in July for processing contract renewals as well as funding shortfalls. In addition, HUD issued Housing Notice 2020–08 on July 23 to provide guidance to sponsors/owners of properties receiving HUD project-based assistance (including Section 202, Section 811 and Section 8) on accessing additional supplemental funds to provide assistance for project level COVID–19 expenses to prevent, prepare for, or respond to, COVID–19. HUD is currently processing an initial round of COVID–19 supplemental payment requests received from project owners in August and anticipates most of these requests will be paid by October 1.

RESPONSE TO WRITTEN QUESTION OF SENATOR TILLIS FROM BENJAMIN S. CARSON

Q.1. I am concerned that HUD is contemplating new regulations that will reduce access to mortgage credit, specifically, FHA-insured loans with downpayment assistance (DPA) provided by a governmental entity. These loan products are utilized by minority populations at a higher rate, so regulation that reduce access to DPA will impact minority populations significantly. Even more concerning, HUD is apparently contemplating this rulemaking absent data on the pricing and performance of these loans on a governmental entity-specific level. Such action would be contrary to Congress' intent, as expressed when passing legislation in 1978, that HUD not limit DPA from a governmental entity except as clearly necessary to protect taxpayers. Can you commit to that you will not engage in rulemaking that has the potential of reducing access to mortgage credit for FHA-insured loans with DPA from a governmental entity without first collecting the pricing and performance on these loans on a governmental entity-specific level, as Congress requested in HUD's FY2020 appropriations bill?

A.1. FHA has documented that purchased mortgages with downpayment assistance (DPA) tend to perform worse than purchase mortgages without DPA in its *Annual Report to Congress on the Fi-*

nancial Status of the FHA Mutual Mortgage Insurance Fund for Fiscal Year 2019. This report is available at *https://www.hud.gov/sites/dfiles/Housing/documents/2019FHAAnnualReportMMIFund.pdf*.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MORAN FROM BENJAMIN S. CARSON

Q.1. In the wake of the COVID–19 crisis, several States have proposed laws or Executive orders that would include some form of mortgage foreclosure moratorium and forbearance and loan modification requirements.

These bills would impose differing standards that would force lenders and servicers to follow a patchwork of State and potentially local regulation based on the location of the property making it impossible for lenders to employ a consistent national approach to aiding their customers financially impacted by the pandemic.

If this State-by-State trend continues, could the resultant patchwork of laws and requirements make it more difficult for home buyers to obtain the credit that they need?

A.1. See answer to Question 2 below.

Q.2. In your view, should we be steering the States away from trying to impose these laws?

A.2. When States issue loss mitigation requirements via law or Executive order that differ from FHA requirements or Federal law, FHA requirements preempt State laws. Further, the adoption of inconsistent State laws has the effect of increasing costs for servicers and increasing their risk of noncompliance with FHA requirements. As a result, servicers may be less willing to purchase or service new mortgages made to higher risk borrowers. This in turn may reduce the availability of credit and increase costs to borrowers.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MENENDEZ FROM BENJAMIN S. CARSON

Housing Counseling

Q.1. When the protections in the CARES Act run out, we could be facing a foreclosure crisis even greater than the one we faced in the Great Recession. Families unable to pay their mortgage will need to navigate the complexity of requesting and accessing mortgage relief programs. Homeowners already in forbearance will have to work with their mortgage servicers to repay forborne amounts and housing counselors can provide critical resources that allow them to keep their homes.

As the COVID–19 pandemic continues to disproportionately affect minority and low-income communities, are you considering encouraging housing counselors to reach out to more minority and low-income borrowers?

A.1. The Department consistently and strongly encourages HUD-approved Housing Counseling Agencies and their counselors to reach out to minority borrowers, low-income borrowers and renters, and consumers in rural and underserved areas. As community-based organizations, housing counseling agencies have a long history of being trusted partners in their local communities. Many HUD-approved Housing Counseling Agencies utilize proactive and culturally appropriate outreach strategies to assist individuals and families in need.

HUD supports these efforts through regular outreach, informational materials, training, and dialogue with housing counselors and HUD-approved Housing Counseling Agencies on HUD, FHA, and other Federal policies and programs that can assist families impacted by the COVID–19 National Emergency.

Q.2. On HUD's "Coronavirus Resources" webpage, HUD provides homeowners with a link to find HUD-approved housing counselors.

Given that HUD is already referring homeowners to housing counselors, do you believe Congress should consider increasing resources for HUD-approved housing counselors to help American families make educated mortgage decisions as the country works through this crisis? If not, why not?

A.2. Access to the housing counseling services can improve home retention, and prevent evictions, and as such HUD supports the continued provision of resources for this important function. The appropriate funding level for HUD's Housing Counseling program will be determined by assessing these needs in light of other HUD and COVID-related funding priorities.

Section 202 Housing

Q.3. More than 2 months ago, the CARES Act provided $50 million to HUD for the Section 202 Housing for the Elderly program, including up to $10 million to help affordable senior housing communities get residents through this pandemic. Section 202 residents are older, have lower incomes, and face significant health challenges, compared to other seniors in the community. Meanwhile, HUD Section 202 senior housing communities are spending thousands if not tens of thousands a month on disinfecting and cleaning, PPE, services like security and meals, and extra staffing costs.

Can you tell me why HUD has yet to get these emergency resources to the more than 3,000 Section 202 communities, and when does HUD expect to distribute these funds to Section 202 communities?

A.3. In responding to this unprecedented national emergency, HUD's Office of Multifamily Housing has attempted to balance the known financial impacts from COVID–19 with the significant uncertainty about both potential future impacts and the possibility of additional congressionally appropriated emergency funding. HUD has met with many stakeholders to learn about the impacts they are facing, and is carefully monitoring the impact on residents in HUD-assisted properties.

HUD obligated a portion of the Section 202 CARES Act supplemental funds in July for processing contract renewals as well as funding shortfalls. In addition, HUD issued Housing Notice 2020–08 on July 23 to provide guidance to sponsors/owners of properties receiving HUD project-based assistance (including Section 202, Section 811 and Section 8) on accessing additional supplemental funds to provide assistance for project level COVID–19 expenses to prevent, prepare for, or respond to, COVID–19. HUD is currently processing an initial round of COVID–19 supplemental payment requests received from project owners in August and anticipates most of these requests will be paid by October 1.

Public Housing

Q.4. On Thursday, May 14, HUD sent an email informing Public Housing Agencies (PHAs) that "CARES Act Supplemental Operating Funds may only be drawn down to pay for immediate needs and cannot be held as reserves." The email noted that, unlike regular Operating Funds, CARES Act Supplemental Operating Funds cannot be drawn down all at once, held by the agency, and then used for future costs of non-immediate eligible activities even if those expenses occur before the expiration of the CARES Act supplemental funding. Why has HUD placed restrictions on the draw down and use of the CARES Act Supplemental Operating Funds?

A.4. PHAs may draw down CARES Act funding to pay for ongoing public housing costs, including regular Operating and Capital Fund activities, as well as expanded COVID–19 activities as described in PIH Notice 2020–07. The immediate needs requirement imposed by HUD is consistent with the current practice in the Capital Fund program, and required by the cash management requirements included in 2 CFR Part 200 whereby grantees and the Federal agency must limit the time between the draw down and expenditure of funding. Unlike "regular" Operating Funds, which are required to be provided at a rate of $1/12^{th}$ of eligibility per month regardless of immediate needs, HUD expedited the obligation of all CARES Act funding to PHAs to ensure that PHAs had access to their entire amount in less than 35 days to ensure PHAs could begin addressing program costs as quickly as possible.

Q.5. Through the CARES Act, Congress provided $1.935 billion to help local communities serve their residents through the Public Housing Operating Fund and Housing Choice Voucher program but, as of June 8th, only $1.065 billion has been made available to Public Housing Agencies. Why has HUD failed to release the additional funding provided by Congress? When does HUD expect to release the remaining $870 million appropriated by Congress for the Public Housing Operating Fund and the Housing Choice Voucher program?

A.5. All Public Housing Operating Funds ($685 million) provided through the CARES Act were obligated to PHAs on May 1, 2020.

The Office of Public and Indian Housing (PIH) published a notice on July 31, 2020, that established the eligibility criteria for the $400 million of supplemental HAP made available through the CARES Act. The supplemental HAP funding is available for PHAs that either (1) experience a significant increase in voucher PUC due to extraordinary circumstances, or (2) despite taking reasonable cost saving measures, as determined by the Secretary, would otherwise be required to terminate rental assistance for families as a result of insufficient funding (heretofore referred to as Shortfall Funds). The deadline for submitting applications is October 31, 2020, and the eligibility evaluation and determination for funding awards will be performed on a rolling basis.

As of September 14, 2020, the Office of Housing Voucher Programs (OHVP) has made available $849.9 million of the CARES Act admin fee supplemental funding. PIH Notice 2020–08 made available $377 million, and PIH Notice 2020–18 made available $472 million. From this total, $841.7 was awarded to PHAs administering the HCV Program and $8.2 million for PHAs administering the Mainstream Vouchers.

Q.6. Does HUD have a proposal on how to handle resident's past due rent payments once HUD's eviction moratorium ends, ensuring that residents are set-up for success and are not stuck with an unaffordable balloon payment?

A.6. HUD has strongly encouraged PHAs and owners to enter into repayment agreements for past due rent to position residents for stability and circumvent an unaffordable balloon payment after the eviction moratorium expires. In July 2020, HUD provided PHAs with an "Eviction Prevention and Stability Toolkit." The Toolkit promotes housing stability by offering several resources from existing HUD guidance and innovative practices from PHAs. For example, the Toolkit includes a PHA brochure that recommends PHAs adopt policies for retroactive interim reexaminations, conduct direct outreach to households behind on rent, and review policies on minimum rent and financial hardship exemptions. In addition, the Toolkit also centralizes HUD's current guidance on repayment agreements and provides three sample repayment agreements from PHAs. The Toolkit also includes a tenant brochure with weblinks and/or phone numbers to key benefits to ensure families are set-up for success. (*e.g.,* weblinks to TANF, SNAP, unemployment services, economic impact payments, free tax preparation, childcare for essential workers, immediate jobs available during COVID–19, and non-Federal emergency assistance for rent, utilities, and other basic necessities.)

Additionally, HUD has effectuated several statutory and regulatory waivers through the broad CARES Act waiver authority which will support PHAs in expeditiously processing requests for interim recertifications of income. These include waivers of third-party verifications of income, delays in routine annual recertifications of income, expedited adoption of administrative policies, and other administrative waivers to allow PHAs to focus efforts on those families hardest hit by the pandemic.

Q.7. Does HUD have enough funds to cover all vouchers for families currently in Housing Choice Voucher program? If not, how much additional funding is required?

A.7. When comparing current available funding to actual and estimated expenses for the CY, HUD may have enough money to cover all leased and issued vouchers for the remainder of the year, thus avoiding any potential terminations of vouchers for families due to insufficient funding. However, this premise is based solely on January to June 2020 financial systems data projected through 12/31/2020. This data is constantly evolving based on local conditions such as the state of PHA Operations, timeframes for processing interim income decreases that tenants experience and PHA policies on admission, recertifications and rent/occupancy issues.

HUD will award $400 million in CARES Act Supplemental HAP funding to PHAs (including Moving to Work (MTW) PHAs) that experienced a significant increase in PUC due to extraordinary circumstances in CY 2020; or to shortfall PHAs that, despite taking reasonable cost savings measures, would otherwise be required to terminate rental assistance for families as a result of insufficient funding for either the Mainstream Program and/or HCV Program. HUD will continue to closely monitor the data associated with estimating HAP need and will provide updates as needed.

Q.8. Since the start of the COVID–19 crisis, how many families is HUD serving through the Housing Choice Voucher program? Has HUD seen an increase, decrease, or continuity in the number of families it serves through the program?

A.8. On March 1, the HCV program (both MTWs and non-MTWs) was serving 2.273 million families. In April, the program was serving 2.278 million families. With data to date, the HCV program is serving 5,000 more families than at the start of the COVID–19 national emergency. May numbers made available in mid-July showed that the HCV program held steady and continued to serve 2.278 million families.

CARES Act Implementation and Access to Credit

Q.9. Secretary Carson, even though mortgage interest rates are at historic lows, it's still too difficult for consumers to access credit to purchase or refinance their home. Obviously many factors contribute to this, but I'm concerned that the way FHA implemented the CARES Act forbearance provisions may have exacerbated this situation.

For example, FHA last week released guidance on loans for which the borrower experiences a COVID–19-related hardship shortly after closing and enters forbearance. While these loans are now largely eligible for FHA insurance, FHA will hold the lender liable for a large share of the losses if the borrower can't resume payments.

Likewise, Director Calabria, your agency belatedly allowed the GSEs to purchase loans that enter forbearance soon after closing, but only with steep price discounts. This may create a disincentive for banks to provide loans to any borrowers who may need CARES Act forbearance and may be perpetuating problems borrower are facing in accessing credit. It seems like the rational response for lenders is to turn away borrowers with a higher risk of going into forbearance, like people that work in restaurants or other businesses hurt by COVID, or borrowers with lower FICO scores.

Can you both explain how you are evaluating the impact of these policies on access to credit?

A.9. FHA issued a policy on June 4, 2020, that provided FHA insurance eligibility for single-family mortgages that went into forbearance after closing but before receiving an FHA insurance endorsement. The intention of this policy was to assure the residential real estate market that FHA insurance would be available for these mortgages. FHA believes the policy effectively manages risks to FHA's Mutual Mortgage Insurance Fund. Because the Department has provided this clarity, lenders may continue to offer FHA financing using prudent lending practices, without the need for credit overlays that would restrict the ability of traditional FHA borrowers to obtain mortgage financing.

Under FHA's June 4, 2020, policy, lenders must indemnify FHA against the loss of up to 20 percent of the original mortgage amount for up to two years. This aligns the public and private incentives associated with these loans appropriately. While FHA currently estimates that the number of mortgages that it will endorse under the new policy will be small, the partial indemnification requirement ensures that the risks associated with these loans are not borne entirely by the American taxpayer. This policy also eliminates any private incentive to place borrowers affected by the COVID–19 National Emergency into mortgages that they are financially unable to sustain.

FHA will track the loans insured under this policy and carefully monitor the market to ensure this policy is effective.

Q.10. Can you share the overall projected losses for FHA and FHFA from buying loans that go into forbearance postclosing?

A.10. On a preliminary basis and based on current loss mitigation policies, FHA expects 40 to 50 percent of FHA-insured single-family mortgages receiving COVID–19 forbearance to default. Overall projected losses for these mortgages are expected to be between 40 to 50 percent of the defaulted loan's unpaid principal balance, resulting in approximately a 20 percent overall loss rate. Actual default and loss rates will depend on many variables, including unemployment and home price trends and potential changes to loss mitigation policies.

MOU

Q.11. In a speech earlier this year, Director Calabria mentioned a Memo of Understanding (MOU) was in development between FHFA and HUD. Secretary Carson and Director Calabria, can you provide details on what you expect to be included in this MOU? Additionally, please provide a timeline of when Congress can expect the MOU to be released.

A.11. The revised MOU between the Federal Housing Finance Agency (FHFA) and HUD is intended to replace an existing MOU between HUD, through FHA, and FHFA regarding the sharing of information that was executed on January 21, 2010. The revised MOU continues to provide for the sharing of data, which will be used to further the respective supervisory, regulatory, and other lawful responsibilities of the agencies, which now specifically includes Ginnie Mae as an additional participating component of HUD.

Additionally, consistent with the terms of the MOU, data may be shared to facilitate the development and implementation of the housing reform plans contained in the Presidential Memorandum dated March 27, 2019, including the "Housing Finance Reform Plan" issued by HUD, dated September 2019. The MOU provides for protections for the use and retention of all shared information. The MOU also identifies the applicable authorities for each agency to enter into and share information. There is not a timeline for completion at this time.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR TESTER FROM BENJAMIN S. CARSON

Q.1. *Rented Homes and Apartments*—Secretary Carson, during the hearing I asked you about what is being done for renters and for property owners. You responded that you thought the paycheck protection program was working and sufficient for these businesses.

Can you please expand on how the Paycheck Protection Program is helping these folks who own the homes and apartments with mortgages that are being rented out and but are not receiving rent due to the crisis?

A.1. While the program has now terminated, the Small Business Administration is in the best position to respond to questions about PPP terms and conditions.

Q.2. *Affordable Housing*—I have been concerned about the availability and affordability of housing particularly in rural America since long before this crisis, as I discussed the last time you were both before this Committee. This crisis is only going to make those problems worse. Congress needs to work to address this affordability and availability crisis in America.

What are you doing to make sure that the resources your agencies have are making it to rural America and other underserved areas?

A.2. HUD is dedicated to ensuring that rural and underserved areas can make use of HUD programs to address affordability. FHA insurance programs are available without geographic limits and are utilized to facilitate more affordable debt for single-family, multifamily, and healthcare facility lending in underserved communities.

HUD plans to announce $10 million in grant awards for the Self-Help Ownership Program next month to support home ownership. HUD published its NOFA on June 18, 2020, and is currently reviewing applications.

In addition, manufactured housing is an important affordable home-ownership solution, including in rural and underserved areas. HUD's Office of Manufactured Housing Programs has been proactively addressing COVID–19 issues impacting the manufactured housing industry. Several policy waivers have been put in place to allow home installations to continue to occur, despite supply chain issues and social distancing measures. These measures, in addition to the successful continuation of administering all aspects of the Federal manufactured housing program during this period of crisis, are vital in support of the housing needs within rural America and other underserved areas.

Housing Programs in Indian Country

Q.3. During a Senate Committee on Indian Affairs oversight hearing in October, I asked Assistant Secretary Kurtz about the Section 184 Indian Home Loan Guarantee Program and HUD's work to update the Section 184 regulations. What's the status of these proposed regulations?

A.3. HUD is still actively working on developing a proposed rule for publication and public comment. HUD conducted 18 tribal consultation sessions and considered all tribal feedback received at these sessions when developing the rule. The current COVID–19 National Emergency has delayed rulemaking efforts as the Department has been working tirelessly to provide emergency funding to Tribal communities under the CARES Act, and help Tribes ensure the health and safety of families. Despite this delay, HUD is still planning on issuing the rule early next year and looks forward to receiving additional feedback from Tribes, borrowers, lenders, and the general public.

Q.4. During the same hearing I asked the Department to look at ways to better partner with Native CDFIs on Section 184 lending. Has HUD increased outreach to Native CDFIs?

A.4. HUD has been working to increase outreach to Native CDFIs to promote the Section 184 Indian Home Loan Guarantee program and to encourage their participation in the program. Since the hearing, HUD staff met with the CDFI Fund to explore ways to conduct additional outreach and agreed to collaborate on future technical assistance targeting Native CDFIs.

Additionally, in November of 2019, HUD actively participated in the Native CDFI Network's 2019 Policy Summit to promote the program to CDFIs in attendance. To date, there are at least four Native CDFIs that are actively participating in the program, and HUD will continue to encourage Native CDFIs to participate in the program and provide critical capital to Native American borrowers.

Q.5. As you know, the biggest obstacle to home ownership facing many low- to moderate-income and minority families is not monthly payment, but rather down payment. As a result, downpayment assistance provided by national, State and local government downpayment assistance organizations can be critical to providing a pathway to home ownership, particularly for minority and low- to moderate-income borrowers.

HUD announced that it intends to proceed with a rulemaking to limit downpayment assistance (DPA) programs offered by Government entities and, in particular, DPA programs that operate nationally, such as those offered by a number of Native American tribes. If promulgated as HUD has indicated, HUD's proposed rule would prevent these Native American housing finance agencies, which currently assist many low- to moderate-income and minority home buyers across the country from operating nationally. I have a number of concerns with HUD's initiative and will look forward to continuing a dialogue on this issue so that we can move forward on a well-informed and sensible housing policy that responsibly serves all Americans.

A.5. HUD looks forward to this continued dialogue.

Q.6. HUD's policy to limit tribal organizations to serving only enrolled members of their respective tribes is a very significant departure from the U.S. Government's 86-year policy of self-determination and self-governance. HUD's policy initiative as currently drafted would prevent Native American tribes from being able to operate businesses off of their respective reservations or to limit their products and services to only enrolled members. I have significant concerns that this initiative would set a terrible precedent and has been alarming to Native American tribal organizations. Why are HUD and the Trump administration advocating a policy that could prevent Native American tribes from being able to sustain themselves?

A.6. The Administration is not advocating a policy that could prevent Native American tribes from being able to sustain themselves. HUD plans to engage in rulemaking to fully implement the amendments made by the Housing and Economic Recovery Act of 2008 (HERA), which prohibit any portion of a borrower's downpayment from being provided by an entity that financially benefits from the transaction.

While HERA's prohibition on assistance from the seller is explicit in the statute, there are still questions as to the scope of the prohibition when the downpayment assistance is provided by Government entities that may benefit financially from the transaction. Because FHA has an obligation to ensure its programs are operating in full compliance with the law, FHA is pursuing rulemaking to define the circumstances in which governmental entities providing downpayment assistance are deriving a financial benefit from the transaction.

Q.7. The Administration and HUD's own requirements mandate that HUD engage in meaningful, face-to-face consultation before HUD begins to work on a rule that would impact Native American tribes. However, even before we were faced with the current Pandemic, HUD was moving towards rulemaking, without fulfilling its mandated tribal consultation requirements. It is my understanding that a number of tribal organizations have submitted comments and sent letters to HUD on this issue. Why has HUD failed to engage in meaningful tribal consultation?

A.7. HUD's policy is to consult with tribal organizations early in the rulemaking process on matters that have tribal implications. On February 14, 2020, HUD issued a notice of Tribal Consultation on HUD's proposed rule regarding mortgage insurance for transactions involving downpayment assistance, with a comment period of 30 days. As further stated in that notice, if a proposed rule is published in the *Federal Register*, tribes will have another opportunity to comment through the public comment process.

Q.8. HUD's upcoming rulemaking could set a very significant precedent by turning back the U.S. Government's 86-year policy of self-determination and self-governance towards Native American tribes if the department moves forward with this rule. Do you commit to engaging in a meaningful tribal consultation process before even working on a proposed rule? By engaging in meaningful tribal consultation, HUD would then be able to get a better understanding of these programs.

A.8. See answer to Question 7 above.

Q.9. It appears to me that HUD has taken the position that the FHA-insured loans being assisted by Government entities, particularly "national" Government entities, providing downpayment assistance are a risk to the FHA Mutual Mortgage Insurance Fund without sufficient, or any, data. I have significant concerns with HUD taking action without sufficient data or consultation to inform the process. Please provide an explanation as to why it believes that national lenders operating national programs are riskier than those that only operate in a narrow geographic area? And please provide an explanation as to why HUD believes low- to moderate-income and minority borrowers pose a greater risk than borrowers who are receiving downpayment assistance from their families or other sources? What is HUD's rational for concern over these two factors?

A.9. FHA-insured purchase mortgages with downpayment assistance (DPA) tend to perform worse than those purchase mortgages without DPA. As discussed in the *2019 Annual Report to Congress on the Financial Status of the FHA Mutual Mortgage Insurance Fund* (Annual Report to Congress):

- Early Payment Defaults (EPDs) for FHA-insured single-family mortgages with downpayment assistance are over 60 percent higher than for mortgages without downpayment assistance sources of funds over the last 2 fiscal years (See FHA Annual Report to Congress, Exhibit I–18 and Table B–18.)
- Seriously delinquencies (SDQs) for FHA-insured single-family mortgages with downpayment assistance are between 50 percent and 60 percent higher than for mortgages without downpayment assistance. (See FHA Annual Report to Congress, Exhibit I–19 and Table B–19.)
- Serious delinquency rates tend to increase as mortgages age. Seasoned mortgages with downpayment assistance from governmental entities are associated with the highest serious delinquency rates (See FHA Annual Report to Congress Exhibit I–19 and Table B–19.)

While HUD recognizes the importance of providing downpayment assistance for many FHA borrowers, FHA also has a statutory obligation to insure mortgages that meet the National Housing Act's requirements for the borrower's minimum cash investment, including its explicit prohibition on downpayment assistance from certain sources.

Q.10. Because I am not alone in the concern that HUD does not have the granular level of data it needs to make informed decisions on this issue, in last year's congressional appropriations process, my colleagues and I added report language to the appropriations bill, which recommended that HUD begin to collect a more granular level of pricing and default performance data for each national, State, and local housing finance agency. Since 2000, this granular level of data has been collected for each nonprofit providing downpayment assistance to borrowers, and it would be valuable to both HUD and Congress for that the same type of data be collected for each Government entity. The language that we included in our Report was supported both the industry and the consumer advocacy community. However, despite Congress' recommendation that HUD begin to collect this data, which is very easy to do because the systems are already programmed to do so, HUD has failed to do so. Why? When will HUD begin collecting this data?

A.10. FHA has documented that purchase mortgages with downpayment assistance (DPA) tend to perform worse than purchase mortgages without DPA in its *Annual Report to Congress on the Financial Status of the FHA Mutual Mortgage Insurance Fund for Fiscal Year 2019*. This report is available at *https://www.hud.gov/sites/dfiles/Housing/documents/2019FHAAnnualReportMMIFund.pdf.*

Q.11. Will you make this data public? This would provide the additional benefit of analysis performed by the broader housing community, including the housing industry, think tanks, and consumer advocate organizations.

A.11. See answer to Question 10 above.

Q.12. Will you commit to collecting, analyzing and making public this data before you proceed on any DPA rulemaking? Doing so would ensure that HUD would be able to make informed policy decisions on this issue.

A.12. See answer to Question 10 above.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR WARREN FROM BENJAMIN S. CARSON

Q.1. When will HUD release the $50 million in Section 202 Housing for the Elderly program funding provided by the CARES Act?

A.1. In responding to this unprecedented national emergency, HUD's Office of Multifamily Housing has attempted to balance the known financial impacts from COVID–19 with the significant uncertainty about both potential future impacts and the possibility of additional congressionally appropriated emergency funding. HUD has met with many stakeholders to learn about the impacts they are facing and is carefully monitoring the impact on residents in HUD-assisted properties.

HUD obligated a portion of the Section 202 CARES Act supplemental funds in July for processing contract renewals as well as funding shortfalls. In addition, HUD issued Housing Notice 2020–08 on July 23 to provide guidance to sponsors/owners of properties receiving HUD project-based assistance (including Section 202, Section 811 and Section 8) on accessing additional supplemental funds to provide assistance for project level COVID–19 expenses to prevent, prepare for, or respond to, COVID–19. HUD is currently processing an initial round of COVID–19 supplemental payment requests received from project owners in August and anticipates most of these requests will be paid by October 1.

Q.2. When will HUD release the remaining $200 million in Section 8 Project-Based Rental Assistance funding provided by the CARES Act?

A.2. On July 23, HUD issued Housing Notice 2020–08 to provide guidance to owners on requesting CARES Act funds to address COVID-related expenses at properties with rental assistance in the project-based Section 8, Section 202, and Section 811 programs. Together with CARES Act funds allocated to properties to offset reductions in tenant incomes related to the pandemic, this is expected to fully utilize CARES Act funds for the multifamily portfolio.

Q.3. HUD does not require radon testing or mitigation in public housing units, despite indoor radon being the leading cause of lung cancer among nonsmokers. HUD is tasked, under law, with developing policy "for dealing with radon contamination . . . to ensure that occupants of [public housing] are not exposed to hazardous levels of radon" to meet the statutory national goal of having "air within buildings in the United States . . . as free of radon as the ambient air outside of buildings." At the hearing, regarding radon in public housing, you stated, "We've also changed the inspection protocol so that it will be a part of the inspection."

When did HUD update the Real Estate Assessment Center standards to include radon inspections or mitigation? How, specifically, is radon testing/mitigation scored in the updated inspection protocol?

A.3. All HUD-assisted public housing must conform to HUD's Uniform Physical Condition Standards (UPCSRIN) in 24 CFR part 5, subpart G. It is through these regulations that HUD has defined "decent, safe, sanitary and in good repair." These regulations do not explicitly require testing for, or mitigation of, radon; nonetheless, PHAs' responsibility to maintain safe housing extends to the mitigation of radon when it is detected. Compliance with UPCS is confirmed through physical inspections performed by HUD's Real Estate Assessment Center (REAC). Physical inspections typically occur every 1–3 years and include a visual assessment of unit conditions, hazards and certain documentation. REAC inspectors do not perform any environmental testing. However, to provide additional assurance that HUD-assisted housing properties are testing for and remediating radon in accordance with Federal laws, regulations and contract provisions during FY2020, HUD has worked with the Office of Management and Budget and incorporated this objective into the Single Audit Act compliance testing process. HUD has also included a requirement in the Uniform Guidance compliance supplement requiring PHA's auditors' test for this compliance objective. When noncompliance is identified, HUD will follow-up with the PHA to bring that agency into compliance.

Q.4. Does HUD have any subsequent plans to require or support radon testing or mitigation in public housing?

A.4. In FY21, REAC will continue its proactive approach of developing effective protocols directed at environmental hazards. REAC plans are to initiate the development of a quality control protocol for radon. To fully implement this service requires the funds be made available to ensure the REAC staff can obtain the appropriate training, certifications, and the purchase of required testing equipment and supplies. Once obtained, a demonstration/feasibility study will be conducted, which will assist in the development of a streamlined radon protocol intended as a means for HUD/REAC to conduct oversight inspections to ensure that HUD-assisted properties and their contractors are actively and correctly addressing the applicable laws and regulations concerning radon. Upon successful development of a streamlined radon oversight protocol, it is REAC's intention to propose the implementation of this oversight inspection as a new REAC service in FY22.

Q.5. Do you support requiring Federal radon testing in public housing units?

A.5. REAC will continue to coordinate with other offices and departments to develop information and guidance on radon for PHAs to provide important background information on the issue as well as guidance on radon testing and mitigation using the most current consensus standards. Also, HUD supports radon testing as part of its future environmental testing to be performed by REAC, but additional information from the FY21 Budget request for OLHCHH for the radon testing and mitigation demonstration will be helpful to inform efforts.

Q.6. HUD has expressed its intention to proceed with a rulemaking to limit downpayment assistance, including downpayment assistance offered by nationally operated Government entities, such as those programs offered by Native American tribal nations. Have you considered the impact of this potential rulemaking on self-governance and self-determination for tribal nations? Will HUD attempt to engage in meaningful tribal consultation before proceeding with any such rulemaking?

A.6. HUD's policy is to consult with tribal organizations early in the rulemaking process on matters that have tribal implications. On February 14, 2020, HUD issued a notice of Tribal Consultation on HUD's proposed rule regarding mortgage insurance for transactions involving downpayment assistance, with a comment period of 30 days. As further stated in that notice, if a proposed rule is published in the *Federal Register*, tribes will have another opportunity to comment through the public comment process.

Q.7. In 2016, HUD found that "transgender and gender nonconforming persons continue to experience significant violence, harassment, and discrimination in attempting to access programs, benefits, services, and accommodations" and reported that "transgender persons are often discriminatorily excluded from shelters or face dangerous conditions in the shelters that correspond to their sex assigned at birth." Do you support the rights of transgender individuals to seek public shelter consistent with their gender identity?

A.7. HUD expects shelter providers to follow all applicable laws related to discrimination.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR VAN HOLLEN FROM BENJAMIN S. CARSON

Q.1. Secretary Carson, the FY2019 Appropriations Bill [PL. 116–94] authorized the Housing Mobility Pilot Program. Can you please provide a status update on the program? What additional resources can Congress provide to encourage this program's success?

A.1. On July 15, HUD published the Housing Choice Voucher Mobility Demonstration implementation notice in the *Federal Register*. PHAs have until October 13, 2020, to submit an application for participating in the demonstration. The implementation notice incorporates both the FY2019 funding as well as funds appropriated in the FY2020 bill for the demonstration. HUD anticipates making between 5–10 awards by the end of 2020.

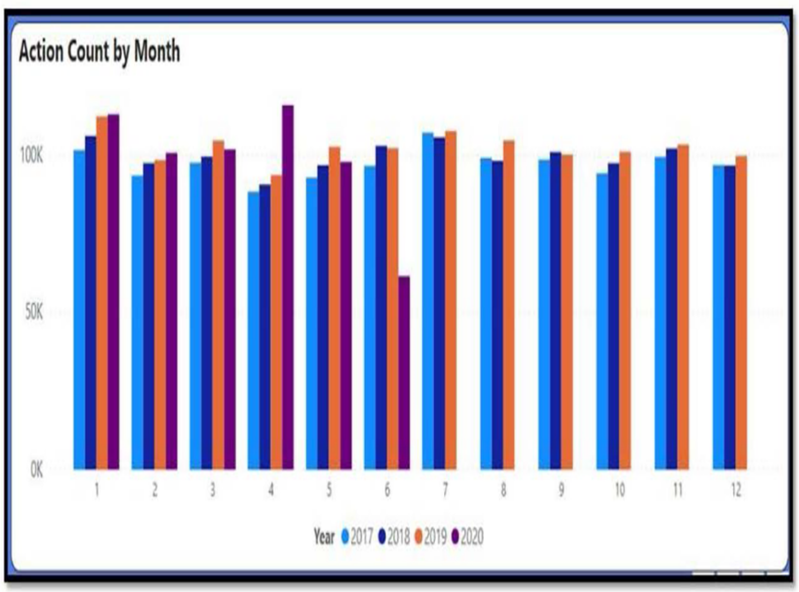
Income Recertification

Q.2. How many HUD tenants have requested an income recertification? How many tenants does HUD estimate will ask for such recertification during the crisis?

A.2. For the public housing program, PHAs have reported to HUD 143,412 interim recertifications for the third FY quarter (April—June). For context, this is not significantly different than the first and second FFY quarters which reported interim recertifications of 142,915 and 141,071, respectively. Collectively, since the beginning of the FFY, total tenant payments (TTP) within the public housing program have dropped from about $313 million for the first quarter to about $300 million in the third quarter, reflecting that families within the public housing program have experienced a 4 percent drop in TTP.

HUD is not able to project a total number of recertifications during the pandemic because it is unclear when the pandemic will end, and the number of recertifications are impacted by actions taken by Congress and States to provide additional benefits to families.

Within the same time period, the HCV program received 378,000 income recertifications. The below chart offers a comparison of month-over-month since 2017.



For the project-based Section 8. 202 and 811 programs, annual and interim recertifications increased dramatically after the start of the pandemic. The monthly total numbers and cumulative totals are reflected in the table below. HUD is not able to estimate a total number of recertifications during the pandemic because it is unclear when the pandemic will end, and the number of recertifications are impacted by actions by Congress and States to provide additional benefits to families.

2020 Recertifications	Annual Recertification	Interim Recertifications	Grand Total
Jan	55,373	2,333	57,706
Feb	69,015	4,143	73,158
Mar	86,465	6,384	92,849
Apr	97,962	9,783	107,745
May	132,324	19,499	151,823
Jun	148,855	20,721	169,576
Jul	171,387	26,994	198,381
Aug	185,266	34,099	219,365
Grand Total	946,647	123,956	1,070,603

Q.3. Has HUD proactively reached out to families to inform them of their right to request an interim recertification and, if so, what specific actions has HUD taken?

A.3. PHAs administer the PH and HCV programs and are the primary communicator with the families participating in these programs. HUD has encouraged PHAs to reach out to families to remind them of their obligation to inform the PHAs should they experience a decrease in income. The right to request an interim income reexamination in the event of a decrease is a fundamental component of the programs and families are informed of this upon entry to the program and income is also verified during the annual reexamination process.

HUD has also strongly encouraged PHAs to utilize their CARES Act PH and HCV funds, along with regular appropriated eligible funding to purchase or upgrade technology that would enable a PHA to conduct its processes virtually and reduce any delays in acting on these requests.

Similar to the Office of Public Housing, Multifamily housing does not have direct communications with subsidized renters and relies on other means to broadly reach them. To that end Multifamily Housing issued COVID–19 guidance for residents, *https://www.hud.gov/sites/dfiles/Housing/documents/MF-Tenant-Concerns-COVID-19-Brochure.pdf*, and COVID–19 guidance for landlords *https://www.hud.gov/sites/dfiles/Housing/documents/Tenant-Brochure-Final.pdf*, to all Multifamily stakeholders, subsidized tenant stakeholder groups, and owner/management agent groups.

These brochures are also on Multifamily Housing's webpage under Asset Management COVID–19 Guidance. Additionally, Multifamily has extensive COVID–19 related Q&As on the HUD website related to the recertification and interim recertification processes, including relaxing documentation submission and in person meeting requirements. The brochures and Q&As remind tenants of their ability to have their income recertified when they experience an income loss and instruct landlords to inform and work with tenants on recertifications.

Q.4. Would HUD consider instructing PHAs and owners to interpret a nonpayment of rent as a request for an interim recertification?

A.4. No. HUD regulations require families to request an interim recertification when they have lost income. Although some residents may not be aware of the availability of interim reporting requirements for income decreases, there could be other factors involved for nonpayment of rent. Thus, in July 2020, HUD provided PHAs with a brochure in the "Eviction Prevention and Stability Toolkit" that encourages PHAs to conduct direct outreach to households behind on rent to determine the cause of nonpayment. PHAs were advised to review their records, and coordinate with HCV owners, to determine how many, and which families are behind on rent. From there, PHAs were encouraged to coordinate with staff that are most connected to residents in order to engage in direct outreach to families with past due balances to have immediate and ongoing conversation with the families in order to prevent eviction.

The PHA brochure also informed PHAs that some households may not be aware of the availability of interim reporting requirements if their income decreases and to consider reviewing their policy on retroactive interim recertifications. In addition, some households may have mistakenly believed that they did not need to pay rent during the moratorium or they chose not to pay rent. Direct outreach would help clarify uncertainties and ensure that families continue being housed. Several other best practices specific to direct outreach were included in the PHA brochure, as well as information on key partners and resources that could be made available to the PHA and/or tenant.

Multifamily Housing requirements also require residents to request an interim recertification when there has been a loss of income. It should be noted that the Offices of Multifamily Housing and Public Housing have consistently attempted to align their policy guidance on these issues to ensure programmatic consistency and reduce administrative burden on our program participants and staff.

Q.5. Throughout the duration of the pandemic would HUD agree to cease all of its regulatory guidance that permits the denial or delay of prompt interim recertifications?

A.5. HUD has strongly encouraged PHAs to review and potentially revise their interim reexamination policies to allow for retroactive adjustments in response to the COVID–19 pandemic. Given that PHAs are facing operational concerns due to COVID–19 and are facing increasing requests for interim reinstatement, HUD is reluctant to proscribe additional deadlines on the processing of interim recertifications. Nevertheless, HUD encourages PHAs to make interim recertifications retroactive to the date of income loss, and to provide for flexible repayment agreements to ensure families are not burdened with untenable rent payments. Ultimately, however, PHAs have discretion for the timing of interim recertifications, and the terms of repayment agreements.

The Office of Multifamily Housing has encouraged landlords to work with tenants on interim recertifications and, as previously mentioned, has issued Q&As to allow for interim recertifications and recertifications without direct contact and submission of paper documentation. Multifamily Housing interim recertifications can be processed retroactively when extenuating circumstances may cause delays in reporting loss of income, so the Office sees no need to cease its current guidance.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CORTEZ MASTO FROM BENJAMIN S. CARSON

Q.1. Will the Department of Housing and Urban Development rescind the disparate impact rule and the Affirmatively Furthering Fair Housing rule, both of which are opposed by fair housing leaders, attorneys general, and members of the Senate?

A.1. On September 3, 2020, HUD issued on its website the "HUD's Implementation of the Fair Housing Act's Disparate Impact Standard" final rule (FR–6111–F–03)(RIN: 2529–AA98). See *https://www.hud.gov/program-offices/general-counsel/OtherOpinions* (the rule is pending publication in the *Federal Register*). The final rule amends HUD's 2013 disparate impact standard regulation to better reflect the Supreme Court's 2015 ruling in *Texas Department of Housing and Community Affairs v. Inclusive Communities Project, Inc.* and to provide clarification regarding the application of the standard to State laws governing the business of insurance. This Final Rule also establishes a uniform standard for determining when a housing policy or practice with a discriminatory effect violates the Fair Housing Act and provides greater clarity of the law for individuals, litigants, regulators, and industry professionals.

HUD is planning to withdraw the "Affirmatively Furthering Fair Housing" final rule (FR–6123–P–02)(RIN: 2577–AA97). The withdrawal of RIN 2577–AA97 will be reflected on HUD's Fall 2020 Semiannual agenda. On August 7, 2020, HUD issued the "Preserving Community and Neighborhood Choice" (PCNC) final rule which became effective on September 8, 2020. *https://www.federalregister.gov/documents/2020/08/07/2020-16320/preserving-community-and-neighborhood-choice*. The PCNC final rule repealed the 2015 AFFH rule and its related accretions. The new rule returns to the original understanding of what the AFFH certification was for the first 11 years of its existence: AFFH certifications will be deemed sufficient provided grantees took affirmative steps to further fair housing policy during the relevant period.

Q.2. Do you see it as HUD's responsibility to eliminate discrimination in housing, reduce racial and income segregation, and provide housing that enable children to attend good schools and parents to have access to jobs and services?

A.2. HUD is concerned about any policy or practice that limits housing choice on a basis prohibited by the Fair Housing Act and other applicable civil rights authorities. The Fair Housing Act is administered by HUD and prohibits discrimination in the sale, rental and financing of most housing in the United States because of race, color, religion, sex, national origin, disability, or familial status. Significantly, HUD improved its complaint processing time from FY18 to FY19 by 16 percent and in FY19 HUD obtained over $12 million in compensation for victims of housing discrimination.

In addition to HUD's important day-to-day complaint processing, HUD has also tackled significant national issues like discriminatory online advertising practices by major advertisers such as Facebook and Google to ensure people are not being denied housing opportunities on a prohibited basis.

Q.3. Do you think racial segregation erodes the economic well-being of families of color by limiting them to neighborhoods with high levels of poverty?

A.3. HUD is concerned about any policy or practice that limits housing choice on a basis prohibited by the Fair Housing Act and continues to vigorously enforce this law. However, the greater force in housing segregation is poverty—people not having the financial means to live where they want to live, closer to jobs and better schools. Segregation today is rarely caused by overt discriminatory policies. It is caused by a lack of housing choice and regulatory barriers that limit the availability of affordable housing.

To promote greater housing choice and economic opportunity, the Trump administration has signed into law programs like Opportunity Zones that are driving billions of dollars of capital into underserved communities where affordable housing may exist, but opportunity currently does not. The White House Council on Eliminating Regulatory Barriers to Affordable Housing, chaired by Secretary Carson, is also examining ways to increase housing supply by removing the multitude of overly burdensome regulatory barriers that artificially raise the cost of housing development.

Q.4. Do you think it is HUD's responsibility to identify segregation and promote integration?

A.4. The Fair Housing Act prohibits discrimination and HUD enforces this important law. HUD is concerned about any policy or practice that limits housing choice on a basis prohibited by the Fair Housing Act and other civil rights authorities. HUD will do everything possible to address these issues wherever they arise.

Q.5. Do you believe that the racial segregation that we see in our communities is a result of policy—not choice—but Federal, State, and local policies that invested in white communities and disinvested in Black communities?

A.5. The Fair Housing Act prohibits discrimination and HUD enforces this important law. HUD is concerned about any policy or practice that limits housing choice on a basis prohibited by the Fair Housing Act and other civil rights authorities. HUD will do everything possible to address these issues wherever they arise.

Q.6. What has HUD done to ensure that the 5 million households assisted by HUD benefited from the $1,200 relief payments and the expanded Unemployment Insurance?

A.6. To ensure families receive maximum benefit from the expanded unemployment benefits and $1,200 Economic Impact Payments, HUD, using its existing statutory authorities, has excluded these payments from the calculation of income in its rental assistance and community development programs, thus preventing tenant rent payments from increasing. Additionally, HUD released the 2020 Economic Impact Payments Toolkit as a guide for HUD grantees to reach all eligible Americans who may not have received the Economic Impact Payments.

Q.7. Nationwide, there are 47 million rental units. According to the Urban Institute, more than 17 million of them will need help paying rent due to job loss. How much does HUD estimate it would cost to keep all eligible low-income renters housed for 6 months?

A.7. Unemployment benefits and the Paycheck Protection Program have helped many renters make rent payments. Prior to the pandemic, 7.72 million Very Low-Income (VLI) renters had worst-case housing needs, primarily paying more than half their income for rent, and about 10 percent were 30 days or more behind on their rents. Increased unemployment could make this problem worse.

However, the amount of additional rental assistance needed is highly dependent on (i) unemployment benefit amounts, (ii) the speed of economic recovery, and (iii) schools employing remote learning. On this last point, many VLI renters are household heads with children who could have more difficulty returning to work if children are at home. This, in turn, could impact their ability to pay rent. Because there is a good deal of uncertainty on these three points, HUD cannot provide an estimated amount of funding needed for rental assistance.

HUD looks forward to continued conversations with Congress on the right mix of benefits to prevent evictions and homelessness.

Q.8. The Urban Institute estimates it would cost approximately $96 billion to assist an estimated 17.6 million renter households needing rental assistance due to the economic impacts of COVID–19 for 6 months. Do you agree with their estimate of funds needed for the 17 million families to facing eviction?

A.8. HUD is unable to provide an estimated cost at this time.

Q.9. What is HUD's plan to avoid evictions of 17 million families due to the COVID–19 depression?

A.9. Earlier this month, the Administration issued its Executive order (EO) to temporarily HALT evictions during the COVID–19 pandemic. American renters who meet certain conditions cannot be evicted if they have exhausted their best efforts to pay rent, and are likely to become homeless as a result.

HUD has also strongly encouraged PHAs and owners to enter into repayment agreements for past due rent to position residents for stability and circumvent an unaffordable balloon payment after the eviction moratorium expired.

In July 2020, HUD provided PHAs with an "Eviction Prevention and Stability Toolkit," *https://www.hud.gov/program__offices/*

public_indian_housing/covid_19_resources. The Toolkit promotes housing stability by offering several resources from existing HUD guidance and innovative practices from PHAs. For example, the Toolkit includes a PHA brochure that recommends PHAs adopt policies for retroactive interim reexaminations, conduct direct outreach to households behind on rent, and review policies on minimum rent and financial hardship exemptions. In addition, the Toolkit also centralizes HUD's current guidance on repayment agreements and provides three sample repayment agreements from PHAs. The Toolkit also includes a tenant brochure with weblinks and/or phone numbers to key benefits to ensure families are setup for success, *e.g.,* weblinks to TANF, SNAP, unemployment services, economic impact payments, free tax preparation, childcare for essential workers, immediate jobs available during COVID–19, and non-Federal emergency assistance for rent, utilities and other basic necessities. HUD also published a Multifamily Tenant Brochure to inform and address rent payment concerns of tenants living in multifamily properties.

For FHA-insured multifamily properties where the owner is receiving forbearance mortgage payment relief, tenants cannot be evicted solely for nonpayment of rent for the duration of the forbearance period. HUD issued guidance on July 1 for owners of these properties, including a new online brochure for owners to share with tenants.

Additionally, HUD has effectuated several statutory and regulatory waivers through the broad CARES Act waiver authority that will support PHAs in expeditiously processing requests for interim recertifications of income. These include waivers of third-party verifications of income, delays in routine annual recertifications of income, expedited adoption of administrative policies, and other administrative waivers to allow PHAs to focus efforts on those families hardest hit by the pandemic.

Q.10. How many vouchers will HUD request to help families who have lost family members to the pandemic or had jobs that will not return quickly?

A.10. Under current Housing Choice Vouchers (HCV) program rules, PHAs can set preferences for families based on community needs. PHAs could provide a preference for recently unemployed families or for families that have experienced other financial hardships due to COVID–19.

Q.11. If the Emergency Rental Assistance Act which provides rental assistance funds were to pass, would HUD be able to qualify and assist families with rental assistance quickly? Why or why not? What resources will HUD need to distribute rental assistance funds quickly?

A.11. HUD does not perform client eligibility determinations. Qualifying families for assistance would be determined by the grantee (*e.g.,* State and local entities) administering the funding.

Q.12. How quickly could HUD certify landlords to participate in voucher programs?

A.12. Landlord eligibility is determined at the PHA level and not at HUD. PHAs have the discretion to adopt screening policies and eligibility criteria that govern landlord participation. As such, the amount of time to determine eligibility of an owner will differ at each PHA.

Q.13. In Nevada, we have seen a dramatic increase in demand for housing since the outbreak of the pandemic. The funds Congress provided for Veterans housing vouchers—VASH—have been very helpful. Would you support additional vouchers in the next congressional relief package, so that these men and women can transition into a permanent housing solution without delay?

A.13. The FY2020 Appropriations bill provided an additional $40 million for HUD–VASH, and a PIH notice for PHAs to self-identify their interest in receiving additional HUD–VASH vouchers was released on July 8, 2020. The HUD–VASH FY20 Registration of Interest Notice details the availability of additional HUD–VASH vouchers in 2020 that HUD will be awarding this year.

Statistics on HUD–VASH in Nevada:

- There are 3 PHAs currently administering 1,834 total HUD–VASH vouchers. Of those, 1,464 were leased as of April. That is an overall utilization rate of 80 percent.

Leasing breakout by PHA:

PHA	Unit Months Leased (UML)	Unit Months Allowed (UMA)	Rate
NV001 (Reno)	241	318	75.79%
NV018 (Southern NV)	1,155	1,419	81.4%
NV905 (NV Rural)	68	97	70.1%

Q.14. Will HUD work closely with eviction courts to keep families safely housed? If so, how?

A.14. HUD encourages PHAs and owners to provide residents with frequent and accurate information and to take steps to keep as many residents stably housed as possible. As part of this effort, HUD encourages PHA leadership and multifamily owners to ensure that residents and staff across the agency are aware of new policies and procedures. PHA staff are encouraged to also review their records, and coordinate with owners, to determine which households are behind on rent and determine the cause of nonpayment. In tandem with this effort, PHAs can identify the range of options and resources available to promote housing stability.

Q.15. In light of the need for stable and affordable housing for everyone in our country to avoid spreading COVID–19, will you withdraw HUD's rule that would prohibit any ineligible family member from living in a unit in which one or more eligible members are receiving assistance?

A.15. HUD remains committed to serving the American people through its ordinary operations. Suspending all rulemaking would be inconsistent with this work.

Q.16. Are DACA recipients eligible for FHA-insured loans?

A.16. See answer to Question 18 below.

Q.17. If not, HUD previously permitted DACA recipients to obtain FHA-insured loans as a matter of practice. What changed in HUD's interpretation of the law?

A.17. See answer to Question 18 below.

Q.18. If DACA recipients are not able to receive FHA-insured loans, why did HUD not offer the opportunity for public input or communicate this information to approved lenders or Congress?

A.18. These questions incorrectly state that DACA recipients were previously eligible to obtain FHA-insured mortgages and that there was a change in policy. Both statements are incorrect. DACA recipients were ineligible for FHA-insured loans during the Obama administration, and HUD has not implemented any policy changes during the Trump administration, either formal or informal, with respect to FHA eligibility requirements for DACA recipients.

DACA recipients are not eligible for FHA-insured mortgages. This policy predates the creation of DACA by at least nine years. Since at least 2003, FHA has maintained published policy that non-U.S. citizens without lawful residency "are not eligible for FHA-insured loans." This same policy was incorporated into FHA's *Single-Family Housing Policy Handbook* in September 2015—under the previous Administration—and clearly states that "[n]on-U.S. citizens without lawful residency in the United States are not eligible for FHA-insured mortgages."

Q.19. In light of the current pandemic, will HUD cancel the 2020 Continuum of Care NOFA and provide funding based on the previous year's allocation?

A.19. HUD is currently evaluating the most effective way to allocate FY2020 CoC funding so it can be used to assist grantees respond to COVID–19.

Q.20. I am concerned by how long it took to get CARES Act Emergency Solutions Grants funding out into the field—when, in much of the country, it was needed in March. Could you explain why it took so long for HUD to get these funds out?

A.20. HUD's Emergency Solutions Grants (ESG) funds were fully allocated within 90 days of enactment and are now available to be disbursed to grantees. All ESG grantees are, and have been, encouraged to submit substantial amendments and action plans to their local HUD field office at their earliest convenience in order to have their grant agreements signed, at which point they can begin accessing funds.

Q.21. Last month, the HUD Office of Inspector General published another report on its review of 30 FHA servicers' website. The report found that servicers' websites provided incomplete, inconsistent, dated, and unclear guidance to borrowers related to their forbearance options under the CARES Act. Servicers should not provide misleading information that lump sum payments at the end of the forbearance period are expected. How will you ensure that servicers provide clear and fair guidance on forbearance to homeowners?

A.21. None of FHA's Single-Family loss mitigation home retention options require a lump-sum payment at the end of a forbearance period. FHA published Mortgagee Letter 2020–06 on April 1, 2020, which provided servicers of FHA-insured mortgages with a specific COVID–19 loss mitigation option intended to assist FHA-insured borrowers with their forborne payments.

FHA has taken extensive steps to ensure servicers are fairly and correctly applying loss mitigation guidance, including forbearances under the CARES Act. For instance, HUD presented a live webinar on April 8, 2020, open to all FHA servicers, covering all new COVID–19 National Emergency policy contained in Mortgagee Letter 2020–06. To date, FHA has also held three additional live webinars, open to all FHA servicers, to ensure that servicers provide clear and fair guidance on the application of CARES Act forbearance and other loss mitigation policies. More than 2,300 individuals attended these sessions. Additional tools for servicers are also available, including a resource page on *HUD.gov* that includes interagency fact sheets for both servicers and borrowers detailing the key requirements for forbearance under the CARES Act.

To ensure homeowners and renters have the most up-to-date and accurate housing assistance information during the COVID–19 National Emergency, HUD is a partner in an interagency mortgage and housing assistance website in conjunction with the Federal Housing Finance Agency, Consumer Financial Protection Bureau, and Departments of Veterans Affairs and Agriculture, available at *https://www.cfpb.gov/housing*.

Q.22. How will you ensure any lender seeking payment on the FHA guarantee has provided documentation on its compliance with loss mitigation requirements?

A.22. FHA ensures compliance with its requirements in connection with FHA insurance claim payments through a post claim audit process. Additionally, FHA conducts quality assurance reviews to ensure servicers are operating under FHA guidelines when administering the loss mitigation program.

Q.23. Will you ensure FHA conducts oversight of servicers with appropriate sampling and review of companies and borrowers?

A.23. Such oversight is part of FHA's standard operational practices. FHA ensures compliance with its requirements in connection with FHA insurance claim payments through a post claim audit process. Additionally, FHA conducts quality assurance reviews to ensure servicers are operating under FHA guidelines when administering their loss mitigation programs.

Q.24. Will you ensure FHA establishes a robust complaint and appeals process for borrowers who believe they have been subject to unfair treatment related to noncompliance with FHA's servicing requirements, including its loss mitigation requirements?

A.24. Yes. FHA has a vested interest in preventing foreclosures and helping delinquent borrowers remain in their homes. Borrowers may contact the FHA Resource Center for assistance with questions regarding loss mitigation. Furthermore, HUD is a partner with the Federal Housing Finance Agency, Consumer Financial Protection Bureau, and Departments of Veterans Affairs and Agriculture on a COVID–19 consumer resources website that includes prominent links for consumers to file complaints if they believe they are being unfairly treated. The website can be found at *https://www.cfpb.gov/housing.*

Q.25. Will you report annually to Congress regarding the types and volume of complaints received from borrowers who allege the rules for loss mitigation were not followed?

A.25. FHA will respond to congressional information requests, as legally appropriate.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR SMITH FROM BENJAMIN S. CARSON

Fire Sprinklers in Public Housing

Q.1. Secretary Carson, late last year, five Minnesotans were killed in a tragic fire in the Cedar-Riverside neighborhood of Minneapolis. The fire ravaged a 25-story apartment tower managed by HUD through the Minneapolis Public Housing Authority.

The building in Minneapolis, like so many other public housing high-rises, was built long before 1992, when the Federal law requiring sprinkler systems in new multifamily public housing properties was passed. Because this apartment complex is exempt from the sprinkler requirement, MPHA would have to divert funding from other maintenance needs in order to voluntarily install an automatic sprinkler system.

Unfortunately, this is easier said than done. Prior to the fire, Minneapolis Public Housing Authority reported $152 million in immediate capital needs, including $69 million that it required for mechanical systems—which includes plumbing and fire safety needs.

Minneapolis, like other public housing authorities, has limited funding available to address these deferred maintenance needs. In December, I wrote to you about this issue and asked you why your Department continues to propose "zeroing out" the Public Housing Capital Fund—the primary source of maintenance and construction funding for public housing authorities.

In your response, you identified the nationwide backlog of maintenance needs but did not commit to supporting increased appropriations in the Capital Fund or for fire sprinkler installations specifically.

Secretary Carson, can you commit to supporting increases in the Public Housing Capital Fund so that local public housing authorities can do the work necessary to make these buildings safe for the families that live there?

A.1. HUD shares the understanding that fire sprinkler systems are an essential element of fire safety. Public Housing has an estimated capital needs backlog of approximately $26 billion, and Capital Fund grants alone are not sufficient to address the significant needs in the portfolio. Given fiscal constraints, HUD recognizes the need for State and local governments to share a greater role in the provision of affordable housing. The Administration encourages PHAs to work with State and local governments to supplement the

Federal appropriation with non-Federal funding to address additional public housing needs.

Q.2. Are you aware of the number of public housing high rises that do not have fire sprinkler systems installed?

A.2. HUD provides oversight of PHAs that manage and operate Public Housing programs. PHAs are required to comply with Federal laws and HUD regulations as well as State and local laws. In this case, Federal law exempts multifamily properties with housing assistance constructed prior to October 26, 1992, from the requirement to install fire sprinkler systems. However, this law does not limit the authority of a State to implement or enforce laws or standards to establish requirements for fire prevention and control. Furthermore, HUD's regulations related to physical condition standards and inspection requirements under 24 CFR §5.703(c) require a building's fire protection system to be free of health and safety hazards, operable, and in good repair.

In order to conduct a "complete assessment," HUD anticipates that a formal research study would have to be undertaken which would involve additional planning and a resource commitment but would provide the most reliable information on this issue. HUD does not currently have sufficient information to provide the number of units that currently lack a sprinkler system.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR BROWN FROM MARK A. CALABRIA

Q.1. In your testimony you stated that Fannie Mae and Freddie Mac's default option is to add forborne payments to the end of the loan. However, Fannie Mae's Lender Letter states that a borrower must be evaluated for a workout option, starting with the payment deferral option you referenced, "[i]f the servicer determines that the borrower is unable to resolve the delinquency through a reinstatement and cannot afford a repayment plan."[1] Similarly, Freddie Mac's Bulletin requires a servicer to verify that a borrower "[i]s unable to afford a repayment plan or full reinstatement of the Mortgage."[2] These guides appear to make payment deferral the third step in the Enterprises' loss mitigation waterfalls—behind reinstatement and repayment plans—and it is unclear how servicers will determine that borrowers are unable to afford reinstatement or a repayment plan. Further, recently released servicer incentive payments show that repayment plans and payment deferral each offer servicers a $500 incentive, making them financially equal for servicers even if they are not for borrowers.

Does FHFA interpret payment deferral to be the third step in the loss mitigation waterfall for borrowers experiencing a hardship due to COVID–19? If so, how are servicers to determine whether a borrower is or is not able to make a reinstatement payment or complete a repayment plan? If not, why do the Enterprises' guides include references to reinstatement and repayment plans in the evaluation criteria for payment deferral?

[1] LL–2020–07.
[2] Bulletin 2020–15.

A.1. Recognizing that most homeowners will not be able to repay their COVID–19 forbearance in a lump sum after the forbearance period ends, the Federal Housing Finance Agency (FHFA) established the payment deferral option, which adds the homeowners' missed payments to the end of their mortgage. Servicers are instructed to evaluate borrowers for the appropriate loss mitigation option at the end of the forbearance period. This evaluation should take place in a conversation between the homeowner and the servicer with a goal of figuring out the best option for the homeowner upon exiting forbearance. Additionally, choosing which option is best will entirely depend on the homeowner's circumstances at the time, chief among them is whether the homeowner can afford the same payment in effect before the forbearance.

Servicers are instructed to follow a "waterfall" of options that proceed in the following order:

1. Reinstatement (lump sum payment)
2. Repayment (payment above the regular mortgage payment until the homeowner is caught up)
3. Payment deferral (adding the payments to the end of the mortgage), or
4. Flex Mod (extending the term of the loan and/or lowering the interest rate until the payment becomes affordable to the borrower).

While less likely to be utilized, the first two options should be available to homeowners who are willing and have the financial means to use them. It is important to emphasize, as FHFA has done since the start of the COVID forbearance programs, that homeowners do not have to repay a forbearance in a lump sum unless they choose to do so.

Fair Lending Analysis Capital Rule

Q.2. Did FHFA's Office of Fair Lending Oversight or any other office within FHFA conduct a fair lending review of the capital rule FHFA released on May 20, 2020? If so, please provide the results of that analysis. If not, why not?

A.2. FHFA's reproposed Regulatory Capital Framework Rule for Fannie Mae and Freddie Mac (the Enterprises) is based on the same structure as the prior proposal that was issued in July 2018. For the July 2018 proposed rule, the Agency completed a fair lending analysis on certain risk multipliers and that analysis led to changes incorporated into the May 2020 proposed capital rule. In general, there were limited changes from the first proposal and those changes were mission driven. As with the process followed by former FHFA Director Mel Watt with the 2018 proposal, the FHFA analysis of fair lending is used to address any needed changes in a rule and those changes are affected prior to finalization and publication of the rule.

Q.3. Please provide FHFA's analysis of the affect FHFA's capital rule proposal, issued on May 20, 2020, would have on mortgage costs for single-family mortgage borrowers. Please provide any analysis by income, FICO score, downpayment amount, debt-to-income ratio, or product features that FHFA may have done, as well as any breakdown of changes that result from adjustments to up-front and ongoing guarantee fee costs. Please also provide any assumptions that FHFA made in this calculations.

A.3. In developing the reproposed Enterprise Regulatory Capital Framework Rule, the Agency undertook its normal review of factors that could be affected by a change in capital standards and will look to public comments received as important to the adoption of a final rule. Throughout the rulemaking process, FHFA remains bound to the statutory requirements of Congress in the Housing and Economic Recovery Act of 2008 (HERA), as specified in Section 1110 of HERA.

I share the observation of then-Chair of the Federal Reserve, Janet Yellen, as voiced before this Committee in 2016:

> We are putting our rules very often in situations where Congress has decided there is a safety and soundness issue they want us to address by imposing safeguards in a particular area, and our job is to figure out how to do that where Congress has already judged that the benefits are worthwhile.[3]

The decision to impose a risk-based capital standard on Fannie Mae and Freddie Mac was a decision made by Congress in 2008. Accordingly, Congress has already judged the benefits of such a rule as exceeding any potential costs.

I would also agree with those on this Committee who have stated that cost-benefit analysis can help resist any type of regulatory change. The enhancements in the reproposal ensure each Enterprise's safety and soundness and its ability to fulfill its statutory mission across the economic cycle, particularly during periods of financial stress. The reproposal is also a critical step toward responsibly ending the conservatorships, as directed by Congress.

Despite comment period procedures, your Committee should communicate with FHFA on any data or other matters related to the rulemaking that would be helpful to our adoption and implementation of the rule. We will examine the information you provide to make an informed decision.

Q.4. In response to a question from Senator Tester, you stated that FHFA had not seen any evidence of whether properties where landlords were moving forward with evictions had loans backed by Fannie Mae or Freddie Mac. The ProPublica story Senator Tester referenced in his question, published in April, cited eviction filings made since the CARES Act passed at least two Fannie Mae financed properties. Subsequent reporting has indicated that at least some of these eviction filings were reversed, which suggests that the evictions did not comply with either the CARES Act or State or local law.[4] Last week, I wrote to you regarding concerns I'd received about evictions taking place in additional properties with Fannie Mae- and Freddie Mac-backed loans. It is my understanding that the concerns referenced in my letter were also submitted directly to FHFA.

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[3] *https://www.govinfo.gov/content/pkg/CHRG-114shrg99726/pdf/CHRG-114shrg99726.pdf.*

[4] *https://www.propublica.org/article/despite-federal-ban-landlords-are-still-moving-to-evict-people-during-the-pandemic*

Director Calabria, in light of court records indicating that property owners with enterprise-backed loans are continuing to file for eviction, what is FHFA doing to ensure that enterprise borrowers are complying with Federal law? Does FHFA need additional authority to ensure compliance with Section 4023 or Section 4024 of the CARES Act?

A.4. FHFA has worked closely with the Enterprises to review and address any new evictions on multifamily properties with mortgages backed by Fannie Mae and Freddie Mac. When we learn of a situation like this, the Enterprise will contact the servicer of the loan, who will contact the borrower/landlord to assess the situation. FHFA has been made aware of approximately 250 cases wherein an improper eviction appeared to occur and, after review with the servicer and Enterprise, we determined that very few of these were evictions for nonpayment of rent (some of them filed just before the CARES Act was enacted). Those evictions were withdrawn by the landlord. It should be noted that evictions unrelated to COVID–19 may proceed. These include health violations, noise rules, conduct of illegal activities, and requests from State authorities.

The CARES Act did not give FHFA the authority to directly deal with landlords on this, and the Agency is not the appropriate enforcement organization since eviction processes are driven by State and local courts. Neither FHFA nor the Enterprises have contractual authority over, or a relationship to, tenants. FHFA and the Enterprises also have little ability to penalize a landlord. However, landlords should be complying with all laws and regulations, including the CARES Act moratorium on evicting a tenant for nonpayment of rent. If a landlord has been found in violation of law and has not corrected the situation, their forbearance agreement may be canceled and/or their mortgage may be accelerated.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR TILLIS FROM MARK A. CALABRIA

Q.1. Do you think the recently proposed Enterprise Capital Rule will reduce the GSEs' footprint in the market, and—if so—what is FHFA doing to ensure that replacement lending is available, either on bank balance sheets or through PLS?

A.1. My goal for the proposed capital rule is to ensure that the Enterprises have a sufficient level of high-quality capital they need to survive a downturn while fulfilling their countercyclical mission, balancing the need to preserve affordability in the mortgage market. Ensuring that the Enterprises are appropriately capitalized to their risk helps to ensure that they can continue to fulfill their mission to support home ownership and affordable rental housing. The objective of the rule is not to drive a particular market share.

Q.2. For multifamily housing, initial analysis suggests the reproposal requires approximately 67 percent more total capital than the 2018 proposal which could result in an increased cost to multifamily mortgages of up to 39 basis points.

What analysis has FHFA done on the impact of this cost increase on affordable and workforce Multifamily development activity?

A.2. FHFA's newly proposed capital rule is based on the 2018 proposal with some simplifications and refinements. This framework captures the unique nature of each Enterprise's multifamily business and its particular risk drivers, and sets exposure-specific credit risk capital requirements that are generally similar to those in the 2018 proposal. The two main risk characteristics are debt service coverage ratio and mark-to-market loan-to-value ratio. By focusing on the risks of the Enterprises' multifamily portfolios with a greater level of refinement than an equivalent bank capital requirement, each Enterprise will have sufficient capital to continue its affordable housing mission.

Q.3. How will the increase in mortgage costs from Fannie and Freddie increase housing costs in secondary and tertiary markets where Fannie and Freddie are often the primary source of lending?

A.3. The proposed capital rule does not mandate an increase in mortgage costs. That said, FHFA has received comments that address a range of potential effects of capital rule changes, and they are currently under review. FHFA will consider the information provided through comments in moving to a final rule.

Q.4. What analysis has FHFA performed regarding the ability of private capital to fill funding gaps, especially in the secondary and tertiary markets?

A.4. FHFA monitors the effects of the Enterprises' current practices and standards on secondary and tertiary markets and will continue to do so. The comments provided on the proposed capital rule on the impact across the range of market participants will be considered.

Q.5. What analysis did FHFA perform to determine the updated multifamily capital risk weighting should be effectively double that of single family (51 percent vs. 26 percent)?

A.5. When adjusted for the quality of the portfolios and credit risk transfer, the multifamily risk weighting under the new proposed rule is only 30 percent. This compares to bank capital requirements for multifamily of 50 percent. Our analysis included in the proposed rule shows that, compared to the 2018 proposal, the estimated amount of capital dedicated to multifamily under the new rule has increased by less than $1 billion (from $16.9 billion to $17.8 billion) on $655 billion of multifamily assets.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MORAN FROM MARK A. CALABRIA

Q.1. In the wake of the COVID–19 crisis, several States have proposed laws or Executive orders that would include some form of mortgage foreclosure moratorium and forbearance and loan modification requirements.

These bills would impose differing standards that would force lenders and servicers to follow a patchwork of State and potentially local regulation based on the location of the property making it impossible for lenders to employ a consistent national approach to aiding their customers financially impacted by the pandemic.

If this State-by-State trend continues, could the resultant patchwork of laws and requirements make it more difficult for home buyers to obtain the credit that they need?

A.1. Yes, that is a possibility. While States have a role in foreclosures and evictions, the efforts of FHFA, the Enterprises and Enterprise servicers are frustrated at times by hurriedly enacted and conflicting State laws and Executive orders. Where such laws or orders provide differing dates, differing requirements or new liabilities, it becomes difficult for Federal programs to operate in a seamless fashion. These laws may impose more obligations or, in some instances, fewer. Simply put, the comprehensive Federal programs should not face added uncertainty and confusion in assisting homeowners and tenants. Some States have acted to exclude "federally related" mortgages from their actions, which avoids this problem.

Q.2. In your view, should we be steering the States away from trying to impose these laws?

A.2. While States have a role in foreclosures and evictions, the efforts of FHFA, the Enterprises and Enterprise servicers are frustrated at times by hurriedly enacted and conflicting State laws and Executive orders. Where such laws or orders provide differing dates, differing requirements or new liabilities, it becomes difficult for Federal programs to operate in a seamless fashion. These laws may provide more obligations or, in some instances, fewer. Simply put, the comprehensive Federal programs should not face added uncertainty and confusion in assisting homeowners and tenants. Some States have acted to exclude "federally related" mortgages from their actions, which avoids this problem.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR MENENDEZ FROM MARK A. CALABRIA

CARES Act Implementation and Access to Credit

Q.1. Secretary Carson, even though mortgage interest rates are at historic lows, it's still too difficult for consumers to access credit to purchase or refinance their home. Obviously many factors contribute to this, but I'm concerned that the way FHA implemented the CARES Act forbearance provisions may have exacerbated this situation.

For example, FHA last week released guidance on loans for which the borrower experiences a COVID–19-related hardship shortly after closing and enters forbearance. While these loans are now largely eligible for FHA insurance, FHA will hold the lender liable for a large share of the losses if the borrower can't resume payments.

Likewise, Director Calabria, your agency belatedly allowed the GSEs to purchase loans that enter forbearance soon after closing, but only with steep price discounts. This may create a disincentive for banks to provide loans to any borrowers who may need CARES Act forbearance and may be perpetuating problems borrower are facing in accessing credit. It seems like the rational response for lenders is to turn away borrowers with a higher risk of going into forbearance, like people that work in restaurants or other businesses hurt by COVID, or borrowers with lower FICO scores.

Can you both explain how you are evaluating the impact of these policies on access to credit?

A.1. To keep the mortgage market working for current and future borrowers, and to help originators continue lending, FHFA enabled the Enterprises to purchase certain single-family mortgages in forbearance that meet their other underwriting criteria. On April 22, 2020, FHFA announced that the Enterprises would be able to purchase loans that went into forbearance after closing. This was a new flexibility that had not been an option before. Prior to this announcement, lenders would not have been able to deliver those loans to the Enterprises. By definition, this action provided additional liquidity to the mortgage market that would have otherwise been absent.

Deliveries of these loans to the Enterprises remained low. Through mid-September, about 5,900 loans in forbearance were delivered at a time the industry was experiencing a record number of originations. Based on the Enterprises' second quarter acquisitions of purchase mortgages in 2019 and 2020, loan risk factors such as average credit scores, debt-to-income (DTI), and loan-to-value (LTV) ratios have changed only slightly this year compared to last. Refinance acquisitions in the second quarter had higher credit scores, lower DTIs, and lower LTVs.

Because the additional charge was applied only to the lender, and after closing, individual borrowers were not charged higher fees on their mortgage.

There were no "steep price discounts" applied to these loans. There was simply a pricing change that reflected the decline in the value of said loans. The Enterprises have offered to purchase such loans at prices far higher than that found in the remainder of the mortgage market. News reports indicate that such loans sold in the private market have faced a pricing decline of as much as 25 percent.

Q.2. Can you share the overall projected losses for FHA and FHFA from buying loans that go into forbearance postclosing?

A.2. Prior to our April 22, 2020, announcement, lenders were unable to deliver loans that entered forbearance after closing but before delivery, therefore there is no historical information available. FHFA approved the Enterprises purchasing these loans with appropriate pricing adjustments to reflect the additional risk of the loan. While lenders and mortgage borrowers could not have anticipated the pandemic emergency, the Enterprises have a responsibility to purchase loans that are made responsibly and are sustainable. The actions taken by the Enterprises during the pandemic to protect renters and borrowers are conservatively projected to cost the Enterprises at least $6 billion and could be higher depending on the path of the economic recovery.

Those expenses are expected to at least include:

- $4 billion in loan losses due to projected forbearance defaults;
- $1 billion in foreclosure moratorium losses; and

- $1 billion in servicer compensation and other forbearance expenses.

FHFA has a statutory responsibility to ensure safety and soundness at the Enterprises through prudential regulation. The Enterprises' Congressional Charters require expenses to be recovered via income, allowing the Enterprises to continue helping those most in need during the pandemic.

MOU

Q.3. In a speech earlier this year, Director Calabria mentioned a Memo of Understanding (MOU) was in development between FHFA and HUD. Secretary Carson and Director Calabria, can you provide details on what you expect to be included in this MOU? Additionally, please provide a timeline of when Congress can expect the MOU to be released.

A.3. The MOU with HUD remains under discussion and would update a decade old document. The updated MOU would clarify information sharing between FHFA and FHA and Ginnie Mae. For example, the MOU would facilitate communication on servicer eligibility and liquidity issues.

Credit Risk Transfer

Q.4. Previously, FHFA issued guidance for Credit Risk Transfer (CRT) market following the increase in forbearance requests in the aftermath of Hurricane Harvey. Now that 4.73 million homeowners—or 8.9 percent of all mortgages—are in mortgage forbearance plans as a result of the coronavirus pandemic, does the FHFA plan to issue similar guidance to the CRT market?

A.4. No. The Federal Housing Finance Agency will not direct the Enterprises to override the plain language of the prospectus. This decision is founded in legal constructs as well as the agency's duties as regulator and conservator, detailed in the Housing and Economic Recovery Act of 2008.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR TESTER FROM MARK A. CALABRIA

Q.1. I have been concerned about the availability and affordability of housing particularly in rural America since long before this crisis, as I discussed the last time you were both before this Committee. This crisis is only going to make those problems worse. Congress needs to work to address this affordability and availability crisis in America.

What are you doing to make sure that the resources your agencies have are making it to rural America and other underserved areas?

A.1. I share those concerns, particularly as someone who grew up in rural America. The housing problems facing rural America are distinctly different from those facing urban and suburban communities. While FHFA is not a grant-making agency, and hence does not directly have resources to commit to rural, or other, areas, the entities under our jurisdiction, Fannie Mae, Freddie Mac and the Federal Home Loan Banks are addressing underserved markets, specifically including the rural housing market, is through the Duty to Serve Program. This program requires the Enterprises to facilitate a secondary market for mortgages on housing for very low-, low-, and moderate-income families in: manufactured housing, affordable housing preservation, and rural housing markets.

When the Enterprises began limited re-entry into the Low-Income Housing Tax Credit equity market in 2017, FHFA's approval included an annual cap of $500 million in equity per Enterprise. Within this funding cap, all investments above $300 million in a given year are required to be in Duty to Serve-defined rural areas or must support particular types of transactions that have difficulty attracting investment. Duty to Serve credit is provided for Enterprise LIHTC equity investments in rural areas due to the lower share of LIHTCs invested in rural areas and the less advantageous pricing that LIHTCs in rural areas may command. We now have 2 full years of Duty to Serve performance, 2018 and 2019.

FHFA expects to use the planning process conducted by the Enterprises when developing their next 3-year plan for the Affordable Housing Goals and the Duty to Serve program to ensure that there is improvement in providing housing opportunities in these difficult-to-serve areas.

Among the accomplishments the Enterprises reported from their 2 full years of Duty to Serve performance in 2018 and 2019 were:

Rural Housing Market

- Both Enterprises re-entered the LIHTC equity market in 2018. Fannie Mae committed $118 million in LIHTC equity to rural areas in 2018 and $196.2 million in 2019, much in high-needs rural regions such as Middle Appalachia and Mississippi Delta.
- Freddie Mac committed $72.8 million in LIHTC equity in rural areas in 2018 and $111.9 million in 2019, also with much committed in high needs rural regions.
- Both Enterprises exceeded the 2018 targets in their plans for loan purchases in high-needs rural regions.
- In 2019, Fannie Mae invested in 98 rural LIHTC projects, including 4,263 units affordable to households earning 60 percent of the area median income or below, which is about 98 percent of the total units in those rural projects. This more than doubles their transactions compared to 2018.
- Fannie Mae committed significant resources to establishing its Initiative for Native American Home Ownership.

Manufactured Housing Market:

- The Enterprises have increased Duty to Serve-eligible manufactured housing unit loan purchases by a combined 39 percent from 2016 to 2019.
- Both Enterprises made extensive efforts in rolling out new products that support manufactured housing that looks like site-built housing.
- Both Enterprises have also conducted extensive research and evaluation of manufactured housing titled as chattel.

- Both Enterprises have created new products and purchased substantial loans that provide for tenant pad lease protections.

Affordable Housing Preservation Market:

- Both Enterprises supported preserving and renovating distressed public housing units by purchasing loans on properties participating in HUD's Rental Assistance Demonstration Program.
- Freddie Mac increased its support for financing small multifamily buildings, including through small financial institutions. These products have not commonly been successful in secondary market execution.
- Fannie Mae has increased its support for loans that fund purchasing or rehabilitating distressed properties.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR WARREN FROM MARK A. CALABRIA

Q.1. At the hearing you stated you are considering extending the June 30 eviction and foreclosure moratorium "if necessary."

What information are you using to make a determination about extending the moratorium?

A.1. On August 27, 2020, FHFA extended the single-family eviction and foreclosure moratorium until at least December 31, 2020, and it may be extended again. FHFA has been closely monitoring unemployment rates, delinquencies, forbearance rates, as well as stay at home orders and national and State emergency orders in effect due to the coronavirus. We do not want to put anyone out of their home during a pandemic. We also try to coordinate with other Federal agencies, including HUD, VA, and USDA. Consistent with the CFPB Servicing Rules, foreclosure proceedings are paused while borrowers are actively pursuing loss mitigation.

Q.2. Based on that information, what specifically would lead you to extend, or not extend, the moratorium?

A.2. On August 27, 2020, FHFA extended the eviction and foreclosure moratorium until at least December 31, 2020, and it may be extended again. As I mentioned during the June 9th hearing, FHFA has the authority to extend the eviction and foreclosure moratorium for single-family Enterprise loans, and we will be monitoring the markets and other developments closely to make those decisions. Our goal in this extension is to help keep people in their homes during the pandemic by minimizing the numbers of foreclosures and evictions.

Q.3. If you are modeling unemployment as part of your decisionmaking, what levels of unemployment are you testing your model at?

A.3. FHFA monitors the official unemployment rate published by the Bureau of Labor and Statistics (U–3), as well as the measure of total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons as a percent of the civilian labor force plus all marginally attached workers (U–6).

Q.4. In making your decision, are you modeling or considering the impact of millions of Americans losing access to the additional $600 in unemployment benefits after July 31, 2020?

A.4. Yes, such enters into FHFA's consideration. Both the extended unemployment benefits and the stimulus checks certainly helped homeowners pay their bills. Because of the CARES Act forbearance programs implemented at the Enterprises and the solutions for borrowers as they exit forbearance, at this time we do not foresee an immediate wave of new foreclosures, although there were 200,000 foreclosures in process pre-COVID–19 that are also on hold.

Q.5. In making your decision, are you considering the results of the most recent U.S. Census Bureau Household Pulse Survey regarding renter and owner confidence to make next month's housing payments?

A.5. Yes, our analysis of the unemployment data indicates that renters have been particularly affected by this crisis. At this time the forbearance rate for Enterprise single-family loans has stabilized and public data from the National Multifamily Housing Council Rent Payment Tracker show that more than 86 percent of renters paid their rent as of mid-September 2020. The most recent U.S. Census Bureau Household Pulse Survey (Week 1) is consistent with this information, with about 88 percent of renters and percent of homeowners having confidence in their ability to make next month's payment. We will continue to monitor these statistics.

Q.6. The latest U.S. Census Bureau Household Pulse Survey contains a concerning warning about ending the eviction and foreclosure moratoriums prematurely. The data shows that 9 percent of U.S. homeowners and 30 percent of renters have no or little confidence they can make their next month's housing payment. This concern is particularly pronounced for Black and Hispanic or Latino Americans. Fifteen percent of Black homeowners and more than 43 percent of Black renters have no or little confidence they can make their next month's housing payment. More than 18 percent of Hispanic or Latino homeowners and more than 40 percent of renters have no or little confidence they can make their next month's housing payments.

Is FHFA considering these racial disparities in making a decision about extending the eviction and foreclosure moratorium?

A.6. FHFA recognizes the broad impact of COVID–19 on various markets and borrowers and tenants. Actions taken by FHFA and the Enterprises have helped all borrowers or tenants across all geographic and demographic segments.

Q.7. How will FHFA ensure that ending either moratorium will not have a disproportionate negative impact on Black and Hispanic or Latino renters and homeowners, potentially leading to significant racial disparities in evictions and foreclosures?

A.7. As I mentioned during the June 9th hearing, FHFA has the authority to extend the foreclosure and REO eviction moratorium for single-family Enterprise loans, and we will be monitoring the markets and other developments closely to make those decisions. On August 27, 2020, FHFA extended the foreclosure and REO eviction moratorium until at least December 31, 2020, and it may be extended again. There are available solutions for homeowners who have been negatively affected by COVID–19 or its economic effects, including the CARES Act forbearance programs implemented at the Enterprises, and options like payment deferral and flex mod when the forbearance ends. We encourage homeowners who have been negatively affected by COVID–19 to reach out to their servicer for a forbearance if they need one.

FHFA recognizes the broad impact of COVID–19 on various markets, borrowers, and tenants. Actions taken by FHFA and the Enterprises have helped all borrowers or tenants across all geographic and demographic segments.

Q.8. You have stated your plan to deal with distressed servicers is to turn them into subservicers or transfer their servicing to other parties, and have said, "We've seen that we can transfer servicing in a way that's not too disruptive." Servicers have legal consumer protection obligations during loan servicing transfers. In 2013 the CFPB expressed concern about the large number and size of servicing transfers, made loan servicing transfers a focus of its supervision activities, and issued guidance for mortgage servicing companies on their legal obligations to consumers. Have there been any servicer transfers since March 27, 2020? What is your plan to protect consumer rights in any servicer transfers?

A.8. We have been monitoring servicer liquidity very closely and it has remained sufficient throughout this emergency due to servicers raising capital themselves, Ginnie Mae's Pass-Through Assistance Program, and our own decision to limit servicer obligations to 4 months of principal and interest. Because of this, we have not had to transfer servicing due to distressed servicers, and I am hopeful that we will not need to do so. That said, it is more costly to service delinquent loans, including those with a CARES Act forbearance, and servicing compensation has not changed since before the 2008 crisis.

In an effort to ensure that there is no disruption to borrowers, FHFA conducts after action reviews for 3 months for large servicing transfers, including review of any delinquencies, complaints to call centers, and distressed loans. Current Enterprise practice when loan servicing is transferred, is to exclude from those transfers any loans with loss mitigation such as forbearance still in process to minimize the effect on the borrower. We have also established a partnership with CFPB that allows us to review complaints against mortgage loan servicers.

The partnership will allow us to better understand the nature of complaints being filed and identify opportunities for FHFA to work with the Enterprises to address any policy issues.

Q.9. FHFA recently issued a notice of proposed rulemaking for the Proposed Enterprise Regulatory Capital Framework.

Please describe how DFAST results informed the development of the proposal.

A.9. The proposed rule includes a stress capital buffer of 75 basis points of adjusted total assets. FHFA considered the Enterprises' comprehensive losses in the DFAST scenario, along with other factors, to inform the calibration of the stress capital buffer in the proposed rule.

Q.10. In response to my QFRs from the September 10, 2019, Banking Committee on housing reform, I asked whether FHFA has analyzed the effects of bank-like capital requirements on home prices. You said that you had not yet done so. Have you conducted this analysis in conjunction with the proposal?

A.10. In developing the reproposed Enterprise Regulatory Capital Framework Rule, the Agency undertook its normal review of factors that may be affected by a change in capital standards and looks to public comments received as important to the adoption of a final rule. Throughout, FHFA remains bound to the statutory requirements of Congress and conducted a thoughtful review of the impact while remaining bound to the statutory requirements in the Housing and Economic Recovery Act of 2008 (HERA), as specified in Section 1110.

Similar to what then-Chair of the Federal Reserve Janet Yellen told this Committee in 2016:

> We are putting our rules very often in situations where Congress has decided there is a safety and soundness issue they want us to address by imposing safeguards in a particular area, and our job is to figure out how to do that where Congress has already judged that the benefits are worthwhile.

I would also agree with those on this Committee who have stated that cost-benefit analysis can help resist any type of regulatory change. The enhancements in the reproposal ensure each Enterprise's safety and soundness and its ability to fulfill its statutory mission across the economic cycle, in particular during periods of financial stress. The reproposal is also a critical step toward responsibly ending the conservatorships, as directed by Congress.

Q.11. In response to my QFRs from the September 10, 2019, Banking Committee on housing reform, I asked whether FHFA has analyzed the effects of bank-like capital requirements on low-, moderate-, and middle-income borrowers and first-time home buyers. You said that you had not yet done so. Have you conducted this analysis in conjunction with the proposal?

A.11. As I mentioned in response to a prior question, FHFA is continuing to evaluate data and conduct empirical work on this issue. FHFA recognizes the broad impact of COVID–19 on various markets and borrowers and tenants. Actions taken by FHFA and the Enterprises have helped all borrowers or tenants across all geographic and demographic segments.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR VAN HOLLEN FROM MARK A. CALABRIA

Q.1. Director Calabria, can you please provide an analysis of how the Enterprise Regulatory Capital Framework [RIN–2590–AA95] will impact housing prices of low- and moderate-income families? If the price of housing increases as a result of this proposed rule, how might that impact the housing market? If an analysis has not been conducted, please explain why not, and whether the FHFA plans to conduct one?

A.1. In developing the reproposed Enterprise Regulatory Capital Framework Rule, the agency conducted a thoughtful review of the impact while remaining bound to the statutory requirements from Congress in HERA.

Similar to what then Chair of the Federal Reserve Janet Yellen told this Committee in 2016:

> We are putting our rules very often in situations where Congress has decided there is a safety and soundness issue they want us to address by imposing safeguards in a particular area, and our job is to figure out how to do that where Congress has already judged that the benefits are worthwhile.[1]

I would also agree with those on this Committee who have stated that cost-benefit analysis can help resist any type of regulatory change. The enhancements in the reproposal ensure each Enterprise's safety and soundness and its ability to fulfill its statutory mission across the economic cycle, in particular during periods of financial stress. The reproposal is also a critical step toward responsibly ending the conservatorships, as directed by Congress.

FHFA monitors effects under current Enterprise practices and standards on all market segments including low- and moderate-income households. In line with statutory requirements, the comments provided on the Proposed Capital Rule will be considered for analyses provided on the impact across the range of market participants.

Q.2. The affordable housing goals and the Duty to Serve underserved markets rule are important to ensure the GSEs are meeting their chartered public mission. Is FHFA planning to make significant changes to the affordable housing goals and the duty to serve underserved markets rule? What is the agency weighing in rewriting these rules? Will access to credit, equity, and fair lending be central components of any new rule?

A.2. On July 17, 2020, FHFA issued a proposed rulemaking for the affordable housing goals. Because of the uncertainty affecting the market during the coronavirus emergency, the Agency has proposed continuing with the current housing goals through 2021 and expects to propose a longer-term rule next year. The Enterprises are on a 3-year cycle with their Duty to Serve plans, and we will be working with them to seek public comment on a revised plan for 2021 given the current economic uncertainty.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR CORTEZ MASTO FROM MARK A. CALABRIA

Q.1. How will the FHFA ensure that the servicers and lenders follow your required forbearance plans?

A.1. Each Enterprise has issued guidance to its servicers outlining the terms of CARES Act forbearance and how to ensure that a

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[1] *https://www.govinfo.gov/content/pkg/CHRG-114shrg99726/pdf/CHRG-114shrg99726.pdf.*

homeowner's request for forbearance is handled appropriately. To avoid confusion, FHFA and the Enterprises have released scripts that servicers should use to communicate options for both entering and exiting forbearance.

In addition to the regular review and oversight that each Enterprise conducts with its servicers to assess compliance with the Enterprises' respective servicing guidelines, FHFA has established a partnership with CFPB, called the Borrower Protection Program, that allows us to review complaints filed by homeowners against mortgage loan servicers. The partnership has allowed us to better understand the nature of complaints being filed, and identify opportunities for FHFA to work with the Enterprises on policy and communication challenges. Finally, servicers are aware that repeated violations for which they do not undertake corrective actions can lead to alteration of Enterprise business dealings with the servicer.

Q.2. What information will the FHFA receive from its Borrower Protection Agreement with the Consumer Financial Protection Bureau?

A.2. FHFA was pleased to announce the Borrower Protection Program as a joint initiative with CFPB on April 15, 2020. The program was created to enable CFPB and FHFA to share servicing information in order to protect homeowners seeking assistance during the coronavirus national emergency. Under the program, CFPB has made complaint information available to FHFA via a secure electronic interface. In return, FHFA has made information available to CFPB about forbearances, modifications, and other loss mitigation initiatives undertaken by the Enterprises.

Currently, FHFA has been surveying the types and frequency of complaints. FHFA has been reviewing particular complaints that have been made against individual firms identified in the complaint database as well as complaints made in the press, congressional inquiries, or by other means. We have also been conducting more regular searches for complaints made against a subset of servicers. The Agency will, as applicable, use what it learns to inform its routine interactions with the Enterprises, highlighting opportunities for additional follow-up or investigation to ensure that Enterprise policy is being carried out in accordance with the seller/servicer guides.

Q.3. How will the FHFA monitor and address disparities in delinquency rates amongst servicers to ensure that those borrowers who are facing a financial hardship and eligible for forbearance can receive it?

A.3. If FHFA identifies disparate outcomes that it believes Enterprise or FHFA policy changes could address, the Agency will work to address them using all available authority. The Agency does not have enforcement or examination authorities related to mortgage servicers.

Q.4. If the FHFA receives information or identifies trends among mortgage servicers that do not fall within the CFPB's supervisory authority, will the FHFA communicate those findings to the appropriate regulator to ensure compliance with servicing laws and policies? If not, why not?

A.4. Yes. Prior to the establishment of the Borrower Protection Program, FHFA lacked a formalized mechanism to refer potential legal violations to the appropriate regulatory authorities. I am committed to ensuring that Fannie Mae and Freddie Mac servicers and originators fully comply with all their legal obligations. FHFA will not tolerate the Enterprises facilitating bad behavior by their counterparties. As there was no existing mechanism to address these issues when I started my term as Director, I thank the Committee and its Members for their patience as we create such a mechanism.

Q.5. Will the FHFA and the CFPB publish regular, public updates on the Borrower Protection Program to share findings and actions? If not, why not?

A.5. Given that the Borrower Protection Program is quite new, it is simply too early to know what we will find and if such information can be shared publicly. FHFA will look to share whatever findings can be appropriately and legally made public. However, at the present time, FHFA does not have plans to publish any findings or actions based on data related to the complaint database, as it is owned and controlled by CFPB. When any changes or adjustments are made to a policy based on complaints lodged with CFPB, FHFA or the Enterprises will make those policy decisions public through news releases or guide changes.

Q.6. Last year, I, Senator Menendez, and 19 other senators wrote to you, urging FHFA to keep a language preference question and housing counseling information on the Uniform Residential Loan Application. As we continue to work through this crisis, people who do not speak English as a first language will be among those hardest hit. In light of this pandemic, will FHFA rescind its rule and include the language preference question on the Uniform Residential Loan Application form?

A.6. No. In August 2019, FHFA directed the Enterprises regarding changes to the Uniform Residential Loan Application (URLA) and released them from any previous directives that required adherence to instructions that were inconsistent with FHFA's authorities as a conservator. The URLA was transferred back to the Enterprises after the design and development phase was completed. As a result, the Enterprises have transitioned to industry's implementation of the URLA form and collection of data that will modernize the Enterprises' underwriting systems. The new form and data collection began testing in March 2020, will become effective in January 2021, and will become mandatory in March 2021. Further questions on changes to the URLA should be posed directly to the Enterprises.

Q.7. How will FHFA ensure servicers provide assistance to borrowers who are not proficient in English?

A.7. FHFA recognizes the importance of homeowners receiving accurate information when they talk to their servicers about forbearance. Therefore, FHFA directed the Enterprises to publish scripts for servicers to use that walk a borrower through the basics of a

COVID–19 forbearance and their options for repayment when the forbearance is over. In June 2020, FHFA's Mortgage Translations clearinghouse was updated to add forbearance servicer scripts and the revised Mortgage Assistance Application from Fannie Mae and Freddie Mac in English, Spanish, Chinese, Vietnamese, Korean, and Tagalog (*www.fhfa.gov/MortgageTranslations*).

The Enterprises completed their drafting of a COVID–19 Servicing Educational Brochure. The brochure highlights mortgage relief options and other borrower resources for COVID–19 impacted borrowers. Translation of the brochure into Spanish, Chinese, Vietnamese, Korean, and Tagalog should be complete by the end of September 2020.

Q.8. Will you require the inclusion of housing counseling information on the Uniform Residential Loan Application?

A.8. No. In August 2019, FHFA instructed the Enterprises regarding changes to the Uniform Residential Loan Application (URLA) and released them from any previous directives that required adherence to instructions that were inconsistent with FHFA's authorities as a conservator. The URLA was transferred back to the Enterprises after the design and development phase had been completed. As a result, the Enterprises have transitioned to industry's implementation of the URLA form and collection of data that will modernize the Enterprises' underwriting systems. This will improve overall efficiency. The new form and data began testing in March 2020, will become effective in January 2021, and will become mandatory in March 2021.

FHFA committed to developing an optional standardized format and question for use by stakeholders regarding housing counseling information. This standardized format would enable standardized data collection for those stakeholders using and collecting such data.

Q.9. Does the Federal Housing Finance Agency plan to review the Community Lending Plans of the 11 Federal Home Loan Banks to ensure they are meeting the needs of cities, towns and Native American reservations struggling with unemployment and business closure?

A.9. FHFA currently conducts annual reviews of the 11 Federal Home Loan Banks' (FHLBanks) Community Lending Plans to ensure that the FHLBanks describe the credit needs and market opportunities for targeted community lending in their Districts and that they describe their strategies to address those identified needs. The Affordable Housing Program (AHP) final rule published in November 2018, expanded the scope of those Community Lending Plans. Beginning in 2021, the FHLBanks will also be required to identify and assess significant affordable housing needs in their Districts, and to describe their strategies to address those needs through the (AHP). FHFA will continue to review the plans. But the Agency does not currently conduct, nor does it plan in the future to conduct, an independent review of the FHLBanks' identified credit needs, market opportunities for targeted community lending, or significant affordable housing needs.

Q.10. In that review of Community Lending Plans, will you raise concerns if you find areas lagging, such as investments for tribes or Black and Latino neighborhoods hard hit by job loss? In your review, are the Federal Home Loan Banks investing in low-income minority communities with fewer nonprofit and private developers or are their investments, specifically in the AHP and CICA programs, or are they investing in communities with more experienced nonprofit developers with more private sector partners?

A.10. As noted above, FHFA reviews the FHLBanks' strategies to address the credit needs identified in the Community Lending Plans. In 2021, FHFA will expand its review to include an assessment of the FHLBanks' strategies to address the significant affordable housing needs identified in the Community Lending Plans in accordance with the 2018 amendments to the AHP regulation. However, FHFA does not conduct independent analyses of the FHLBanks' identified needs.

Q.11. Do you think the Federal Home Loan Banks are responding adequately to the economic crisis in their States and communities?

A.11. The FHLBanks have responded to this economic crisis by continuing to be available to meet their members' liquidity needs. Because of FHFA's supervisory emphasis on business resiliency planning, nearly all FHLBank staff were able to work remotely during the peak of the crisis while continuing to perform their usual functions. The FHLBanks have also established special programs to support members and their communities.

The central function of the FHLBanks is to provide liquidity to the housing finance market so that potential homeowners can access mortgages, thereby providing an important economic support to members and their communities. The Banks served this role most notably in the early weeks of the crisis, responding to member demand and increasing advances by slightly over 30 percent during March. They continue to serve this role. In line with guidance from FHFA, the FHLBanks have offered flexibility on pledged collateral to include loans in forbearance due to COVID–19, have allowed members to pledge PPP loans, and/or have facilitated subordination agreements to allow members to pledge loans to their Federal Reserve Bank.

In addition, the FHLBanks have responded to the crisis by offering discounted or zero-cost advances to members, using regulatory exceptions that allow for pricing below the cost of funds for special purposes that involve some social benefit, such as providing relief from a natural disaster. FHFA has also worked with the FHLBanks to allow them to offer Community Investment Cash Advance (CICA) program funds to assist the types of entities eligible for loans under the PPP. Some Banks have also provided grants to certain community partners or made charitable contributions in their communities.

Q.12. Please provide information on Federal Home Loan Bank investments and grants to tribal reservations. Please provide annual investment by program type—CICA, CIP, AHP, *etc.*—by year and by FHLBank over the past 20 years.

A.12. FHFA collects information on AHP awards to projects located on tribal land (not reservations) and does not collect this information for CICA or CIP. Because the data is not public, we have sent this information to your staff under separate cover as confidential and not intended for public dissemination. The data sent includes information only for those FHLBanks that have made awards on tribal lands and does not include AHP awards made to projects sponsored by tribal or Native entities that are not located on tribal lands.

Q.13. Did the Federal Home Loan Bank provide the same loan maturity extension for the half-a-million mortgages in their Mortgage Partnership Program?

A.13. Three FHL Banks currently operate as providers for the approved mortgage purchase programs:

- Mortgage Partnership Finance (MPF) with the Chicago Bank as provider and nine Banks holding mortgage loans—Boston, New York, Pittsburgh, Atlanta, Chicago, Des Moines, Topeka, Dallas, and San Francisco (currently, Atlanta no longer purchases AMA);
- Mortgage Purchase Program (MPP) at the Cincinnati Bank and at the Indianapolis Bank.

Though mortgage loans owned by the Banks are not subject to the requirements of the CARES Act, the MPF and MPP programs offer forbearance and loss mitigation options for borrowers negatively affected by COVID–19.

The MPF program closely aligns to the CARES Act and allows for forbearance and forbearance extensions for a period of up to 12 months for a COVID–19 hardship. The first 90-day COVID–19 forbearance will be granted without a hardship documentation requirement. Following the initial 90-day forbearance, an MPF servicer may extend forbearance in separate, shorter incremental periods, not to exceed 12 months. Forbearance beyond the initial 90-days requires borrower-hardship certification.

- Cincinnati MPP has authorized up to 6 months of forbearance for COVID–19 hardship. The servicer must make quality right party contact and receive verbal verification of the hardship for a borrower to be eligible for forbearance. Forbearance for longer than 6 months must be approved by the Cincinnati Bank.
- Indianapolis MPP has authorized an initial 90-days of forbearance for a COVID–19 hardship, but the forbearance can be extended in 60-day increments up to 210 days. The borrower must certify they are experiencing a COVID–19 hardship to be eligible for forbearance. After 210 days of forbearance, the loan can be sent to the Indianapolis Bank for review and possible further extension.

The CARES Act does not address options at the end of the forbearance period. The Enterprises offer various options at the end of the forbearance period, including the option to defer payments to the end of the mortgage term (payment deferral). MPF and MPP offer repayment options other than full reinstatement (lump sum), and the MPF program offers an option for payment deferral similar to the program offered by the Enterprises.

- The MPF program's COVID–19 post-forbearance options include full reinstatement, repayment plan, COVID–19 payment deferral plan, and loan modification.
- The Cincinnati MPP program's COVID–19 post-forbearance options include full reinstatement, a repayment plan (up to 12 months), and loan modification. Cincinnati MPP servicers must obtain prior approval for payment plans in excess of 12 months or for a modification to any terms of the mortgage.
- The Indianapolis MPP program's COVID–19 post-forbearance options (reviewed for in the following order) include full reinstatement, repayment plan, and loan modification.

ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

LETTER SUBMITTED BY CUNA

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June 8, 2020

The Honorable Mike Crapo
Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown:

On behalf of America's credit unions, I am writing regarding the hearing entitled "Oversight of Housing Regulators." The Credit Union National Association (CUNA) represents America's credit unions and their 115 million members.

We appreciate the Committee holding this important hearing. We value the work of the Federal Housing Finance Agency (FHFA) over the past months to provide flexibility and clarity for mortgage servicers of government-backed loans to work with borrowers during the COVID-19 pandemic.

As expected, the widespread adoption of "stay-at-home" policies has resulted in economic disruption across the country. Small businesses have seen revenue streams come to a halt and the number of unemployed or financially distressed consumers has increased to historic levels. In response, Congress took action to provide relief to borrowers of government-backed loans and the FHFA has also taken steps to provide relief to those same borrowers. We appreciate those substantial efforts and encourage the FHFA to ensure there is consistency between the policies within their regulatory purview and the directives of Congress.

As financial first responders, credit unions have remained open during the COVID-19 emergency, ready to assist members in need. In many cases, credit unions and service providers are operating under amended hours, reduced staffing, and mandatory telework policies, and are even alternating in-person work schedules to correspond with appropriate social distancing. At full capacity, about one-third of credit unions operate with five or fewer full-time equivalent (FTE) employees, and about half of credit unions operate with 10 or fewer FTEs. The current conditions have strained credit unions' finite resources and significantly changed many standard operating procedures and processes. For that reason, policies that enable credit unions to continue to serve members throughout the year and into 2021 are critical.

While we support Congress and FHFA's initiatives to aid distressed mortgage borrowers, CUNA is increasingly concerned about the impact a large volume of mortgage forbearances will have on the liquidity of mortgage servicers. The longer that mortgage servicers, especially non-bank servicing companies like credit union service organizations (CUSOs), are expected to deliver scheduled payments while the borrowers themselves are in deferment, the greater the likelihood that servicers will start to experience liquidity issues. We recommend policymakers act to provide a funding source accessible to mortgage servicers as the financial disruption becomes prolonged. We believe FHFA should support and work with Congress to create a financing program, or liquidity facility, for mortgage servicers in need of assistance in order to preserve their ability to respond to the unprecedented levels of payment forbearance required to help families affected by COVID-19.

Credit unions have encountered an unprecedented number of distressed borrowers seeking assistance requests and flooding call centers. As forbearance requests increase, so too do the questions surrounding the process and procedures. We recommend FHFA and the government sponsored entities (GSE) issue guidance and additional resources addressing the treatment of escrow, private mortgage insurance (PMI), credit life, credit disability, and interest during the period of loan deferment and after the deferment concludes. FHFA and the GSEs could provide clarity on the timing of an escrow analysis and the options for repayment of unpaid escrow.

Specific guidance on collections and servicing practices would also be helpful as lenders are attempting to comply with the myriad of executive orders and foreclosure and collection moratoriums/limitations regarding real property loans from various new state and local laws and regulations and federal government actions.

Furthermore, CUNA supports any down payment assistance, provided by the housing finance agencies, to enable minority and low- to moderate-income homebuyers to become homeowners. Homeownership is an important way for consumers to build wealth, and any assistance is especially critical during this time. We urge Congress and the FHFA to utilize CUNA and credit unions as a resource to understanding the current housing environment and how consumers are managing their financial situation. Credit unions are owned by the consumers they serve, and as such have a vested interest in their economic well-being. We encourage continued outreach with credit unions and their members so policies effectively address and solve the economic issues American consumers currently face.

On behalf of America's credit unions and their 115 million members, thank you for holding this important hearing.

Sincerely,

Jim Nussle
President & CEO

LETTER SUBMITTED BY NAFCU

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National Association of Federally-Insured Credit Unions

June 8, 2020

The Honorable Mike Crapo
Chairman
Committee on Banking, Housing
& Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing
& Urban Affairs
United States Senate
Washington, DC 20510

Re: Tomorrow's Hearing on "Oversight of Housing Regulators"

Dear Chairman Crapo and Ranking Member Brown:

I am writing on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) to share our thoughts ahead of Tuesday's hearing entitled "Oversight of Housing Regulators." NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve 120 million consumers with personal and small business financial service products. NAFCU and our members welcome the Committee's oversight of financial regulators and ongoing efforts to address the current pandemic. Ahead of tomorrow's hearing, we would like to share our thoughts on a few important housing issues for credit unions in light of the pandemic.

Emergency QM Standard
First and foremost, while it is not in the purview of the Federal Finance Housing Agency (FHFA) or the Department of Housing and Urban Development (HUD), we believe Congress should establish an emergency Qualified Mortgage (QM) standard with flexible requirements that permits credit unions to make prudent loans for borrowers in crisis without losing the benefit of a safe harbor that it properly considered the member's ability to repay the loan under the *Truth in Lending Act* (TILA). There are provisions of the current QM rules around determining income, liabilities and debt-to-income ratios that are unworkable in these emergency situations and, without the protection of the QM safe harbor, loans being made during the crisis could subject credit unions to litigation. The addition of an emergency QM standard can establish safe and sound lending procedures within the context of the current crisis and allow credit unions a measure of insulation from future litigation related to the ability-to-repay requirements.

QM Patch Extension
Furthermore, to prevent market disruptions and ensure that consumers continue to have access to safe and affordable mortgage credit, Congress must act to extend the Temporary Government Sponsored Enterprises (GSE) QM patch (or GSE patch) for a suitable amount of time if the Consumer Financial Protection Bureau (CFPB) declines to do so. While the CFPB has indicated that they intend to temporarily extend the patch, they have not yet issued a proposed QM rule, so the timing remains uncertain. As NAFCU has shared with Congress and the CFPB, the GSE Patch has been a key factor in credit unions' ability to lend to members of their communities, especially those of low- and moderate-income. Allowing the patch to expire in the midst of the uncertainty due to the pandemic would further destabilize a housing market that is already under significant pressure.

The Honorable Mike Crapo, The Honorable Sherrod Brown
June 8, 2020
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Forbearance Issues for Mortgage Servicers
As NAFCU has previously highlighted to the Committee, concerns remain with the impact of sections 4022 and 4023 of the CARES Act, which provide borrowers with forbearance options for single-family and multifamily loans sold to the GSEs, respectively. The four-month limitation on servicer payments of principal and interest on loans in forbearance recently announced by the FHFA was an important step as the CARES Act did not address these broader issues. Additionally, even though we were pleased to see the recent guidance from the FHFA that the GSE's can buy mortgages in forbearance, the loan level price adjustment (LLPA) fee placed on the loans will create challenges for lenders. The higher LLPA associated with selling loans to the secondary market will make it more challenging for lenders to ensure that they have ample liquidity to continue lending during a downturn and may serve to ultimately constrain new credit. We would ask the Committee to urge the FHFA to further examine this LLPA fee structure and consider a lower LLPA to accommodate community lenders like credit unions and ensure they are still able to access the secondary mortgage market and make more loans to their members.

It is important that the FHFA and GSEs remain as transparent as possible with respect to expectations for servicers during these unprecedented times and offer assistance programs for servicers encountering difficulties making the required payments to the GSEs on mortgages and mortgage-backed securities (MBS). We ask that you echo these requests to the FHFA, as well as consider legislative action to ensure that this health crisis does not become another financial crisis.

FHA
Last week, the Federal Housing Agency (FHA) issued a forbearance partial indemnification policy that imposes a 20 percent first loss penalty against originators if the loan goes into forbearance before it is insured. Credit unions have a history of working with their members in a time of need and many are implementing new policies during the current pandemic that align with the credit union credo of always putting members first. However, NAFCU believes the combination of Congressional proposals requiring blanket forbearance with lenders being assessed a financial penalty by the insurers of government-backed loans should a member request forbearance as soon as a mortgage is closed will have unintended consequences for borrowers. This could encourage some lenders to look at other factors such as whether the borrower's income could be detrimentally affected by COVID-19, which would disproportionately affect low- and moderate-income individuals, therefore harming the very borrowers that forbearance is intended to protect. We ask that you highlight this problematic and contradictory issue during tomorrow's hearing.

In conclusion, we thank you for your leadership and ongoing oversight of housing regulators. NAFCU is pleased to see the Committee examining ways to continue regular oversight particularly during these uncertain times. Should you have any questions or require any additional information, please contact me or Janelle Relfe, NAFCU's Associate Director of Legislative Affairs, at 703-842-2836.

Sincerely,

Brad Thaler

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Senate Banking Committee