Civil Rights, Consumer, Housing, and Real Estate Groups Urge U.S Treasury and Federal Regulators to Help Mortgage Servicers Maintain Liquidity

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Washington, D.C. – Today, advocates of 31consumer, civil rights, housing, and real estate trade organizations, including the Leadership Conference on Civil and Human Rights, National Consumer Law Center, Consumer Federation of America, National Community Stabilization Trust, National Fair Housing Alliance, Center for Responsible Lending, National Association of Real Estate Brokers, National Association of Hispanic Real Estate Professionals, and Asian American Real Estate Association called on the U.S. Treasury and federal banking and housing regulators to act immediately to give all mortgage servicers access to free or low-cost federal financing through a liquidity facility to help cover the cost of borrower assistance during the declared COVID-19 emergency. The Urban Institute estimates that the cost of forbearance on owner-occupied mortgages could range from $33 billion to $66 billion over six months. The groups insist that any liquidity facility for mortgage servicers must be linked to actual assistance to borrowers, not bonus or dividend payouts, and conditioned on public data reporting on the assistance provided borrowers, among other important borrower protections.

The group letter asserts that: "A failure to act to provide liquidity access to servicers in the conventional and government insured markets will expose consumers, lenders of all types and independent mortgage servicers to unnecessary and unacceptable risks. …. [T]he entire housing financing system could face a liquidity crisis that would threaten a very large part of the economy."

The letter also notes that " low-wealth households, borrowers of color, and veterans are particularly at risk as their loans are disproportionately guaranteed by Ginnie Mae.". . . ."

In the letter, the groups outline five borrower protections that must be included in any liquidity facility:

- Liquidity payments must be used for borrower assistance by covering the funds not collected from borrowers that must be passed through to third parties. Payments must not be used for other purposes, such as paying executive bonuses or stock dividends.
- Servicers that access the liquidity facility must offer uniform forbearance terms to all borrowers, regardless of the investor to whom the payments are owed. Those offered terms must be at least those required for forbearances on federally-backed mortgages under the CARES Act (see Section 4022), and apply equally to non-federally backed mortgages, approximately 30% of the mortgage market.
- Servicers must offer a path to sustainable reinstatement at the conclusion of the forbearance period for borrowers willing and able to pay, so that no borrower is left worse off because of the forbearance. At a minimum, servicers must notify borrowers of and evaluate borrowers for all available loss mitigation options before the end of the forbearance period and before

initiating a foreclosure, and options should be offered that correspond to a borrower's ability to repay.
- Servicers must adopt, implement, and monitor policies and practices to assure strict compliance with the Equal Credit Opportunity Act, Fair Housing Act, and all federal protections for consumers in protected classes. Assistance must be available to all consumers on the same terms regardless of race, ethnicity, or other characteristics and must support borrowers in all communities and housing markets. Servicers will need to maximize in-language assistance.
- The provider of the liquidity facility must engage in robust data collection and reporting on loss mitigation and foreclosures during and immediately after the national emergency. This data collection must include race, location, age, and other pertinent demographic information; aggregate data, including servicer-specific performance information, must be released publicly, after protecting borrowers' privacy.