Remarks As Prepared for Delivery
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"HIGHLIGHTS FROM FHFA'S CORONAVIRUS RESPONSE"

Thank you, Susan, for that introduction and the invitation to join you today for this conference. While I wish we could be together in person, I always appreciate the opportunity to speak to the Mortgage Bankers Association. This is my third MBA event in a little over a year since becoming Director. I look forward to many more over my next 4 years.

Last October, we were in Austin together. It was a great event. And the barbecue was pretty good, too. And one year ago tomorrow, about a month after I was sworn in, I traveled to New York City to address this group.

The world looks a little different today than it did a year ago. But I am proud to say that my principles, vision, and agenda I laid out to this group last May have not changed. I said that we need to reform our mortgage finance system because we never fixed it after the housing market collapsed more than a decade ago.

A root cause of that crisis was imprudent mortgage credit risk backed by insufficient capital. This problem remains unresolved today.

The federal government's role has only grown larger since 2008, and Fannie and Freddie are still severely overleveraged. When I walked in the door at FHFA, they were leveraged nearly a thousand to one. By the time we met in Texas in October, that number had been cut in half. Today, it is two-hundred fifty to one. But that is orders or magnitude more leverage than at our nation's largest financial institutions.

More to the point, taxpayers are still at risk of bearing the cost of a bailout. And the entire housing system is at risk because Fannie and Freddie currently do not have the capital to withstand a serious downturn in the housing market. And as we learned in 2008, when the Enterprises fail, they are unable to fulfill their mission and role as a countercyclical support to the market in times of stress.

In New York, I also said that the law requires FHFA to put the Enterprises in a sound and solvent condition and get them out of conservatorship. And I said that is exactly what I intend to do.

I said that capital is the foundation of financial stability, just as it is the foundation of safety and soundness regulation. I said that the path out of conservatorship will not be calendar dependent. It will be driven, first and foremost, by the Enterprise's ability to raise capital. And it will be driven by my obligation to do what is best for the American housing market and supporting sustainable homeownership.

That is the message I brought to this group one year ago. And it is the same message I bring today.

Everything that we have experienced the past few months with the pandemic and national emergency reinforces the need for Fannie and Freddie to be well-capitalized and safe and sound.

I am proud of what our FHFA team, the Enterprises, and the Federal Home Loan Banks have done in response to COVID-19 over the past few months. But I also know that more capital at Fannie and Freddie means a stronger foundation on which to weather crises. Fannie and Freddie exist to support the market in times of stress. They were created to provide liquidity at moments exactly like this, when other sources disappear. But without capital, they cannot fulfill this critical mission.

With that, I would remind this group that FHFA has been hard at work developing a re-proposed capital rule. I mentioned this in Texas in October. Our target has been to re-propose sometime this spring. We have continued to work toward that target, while remaining focused on responding to COVID-19.

And I can say that we will re-propose the capital rule very soon. This re-proposal will provide a strong foundation for the mortgage market.

Of course, having a re-proposed capital rule is not the same as having capital. But it is a critical step on the path toward building the capital necessary to end the conservatorships and to stand between mortgage credit risk and American taxpayers.

With all that said, since early March, we have been doing our part to respond to the health crisis.

I recognize that many of you have been putting in a lot of long hours, early mornings, and late nights to respond to this crisis, too. It is in times like this – when we are tested and faced with complex challenges – that we see our true measure. And I just want to thank all of you who have been working overtime to service and support borrowers. I appreciate all your efforts that have helped keep the market functioning through this time of stress.

I am humbled to be able to play my part in this effort. For more than two months, you have seen the team at FHFA move quickly to respond to this crisis. I am proud of what we have accomplished.

I would like to walk through what we have done, working with Fannie, Freddie, and the Federal Home Loan Banks. FHFA's actions have been – and always will be – data driven. We are focused on supporting borrowers and renters while keeping the mortgage market functioning properly.

Americans should not have to worry about losing their homes during this national emergency. Our goal is to put the right policies in place and make sure Americans know what their options are and how to make use of them. I am also focused on making sure the mortgage market continues to function properly both during and after this crisis.

FHFA has taken many steps to achieve these two objectives. And we took action even before the President declared the pandemic a national emergency on March 13. In fact, I cannot think of any other federal agency that acted before FHFA to help households financially impacted by the virus. I am proud of our team for leading the effort at the federal level to help those affected due to the coronavirus.

For homeowners who were already facing foreclosure before this pandemic, we directed the Enterprises to suspend all foreclosures and evictions for at least 60 days. And last week, we extended this eviction and foreclosure moratorium through at least June 30.

For homeowners struggling to pay their mortgage because of a COVID-related financial hardship, FHFA worked with the Enterprises to make forbearance available. And over the past several weeks, we have continued to monitor what is happening on the ground and adjust our policies accordingly.

Just last week, we announced a new payment deferral option for borrowers in forbearance with an Enterprise-backed mortgage. Under this new policy, borrowers who can return to making normal monthly payments now have the option to repay what they missed during forbearance when they sell or refinance their home. This simplifies options for borrowers, and it provides an additional tool for mortgage servicers.

The payment deferral option is good for borrowers, good for servicers, good for MBS investors, and it helps keep the Enterprises safe and sound. And I want to thank the MBA for their support of this new repayment option.

When it comes to forbearance, we have joined other federal officials and industry partners in communicating clearly that anyone who can make their mortgage payments should continue to do so.

Of the borrowers in forbearance who have an Enterprise-backed mortgage, about one-third are continuing to make payments. And today, I am announcing a new policy that I know will be of interest to all the mortgage bankers and servicers attending this conference. FHFA has directed the Enterprises to issue new guidance that borrowers in forbearance who are making payments will be treated as current when it comes to refinancing their loan or buying a new home.

FHFA has also worked with the Enterprises to support renters facing a COVID-related financial hardship. We made forbearance available for multifamily property owners with an Enterprise-backed mortgage. And we mandated that tenants cannot be evicted for non-payment of rent during the property owner's forbearance period.

The single-family forbearance program was built on prior disaster response efforts. But we developed a completely novel multifamily forbearance program from the ground up.

In talking with stakeholders, consumer groups, and other federal regulators, we learned that there has been a lot of confusion around forbearance in the marketplace. Consumers wondered: What options are available? Am I eligible? Do I have to repay missed payments all at once? Some market participants are confused, too. There have been media stories of servicers telling borrowers that all missed payments had to be paid in a lump sum at the end of forbearance.

FHFA and the Enterprises have taken several steps to clear up this misinformation and provide borrowers and renters accurate information about their options.

We released a statement reiterating that no lump sum is required at the end of a borrower's forbearance plan for Enterprise-backed mortgages. We directed the Enterprises to revise their servicer scripts to help ensure that servicers could provide borrowers accurate and complete information about forbearance options.

Last month, FHFA and the Consumer Financial Protection Bureau launched a joint initiative to address consumer confusion – the Borrower Protection Program. This partnership establishes a secure electronic interface to share information. And it supports our collective efforts to help homeowners navigate forbearance.

And last week, FHFA helped launch a new online portal for consumers, in partnership with CFPB, the Federal Housing Administration, and the Departments of Agriculture and Veterans Affairs. This joint website was designed to ensure homeowners and renters have the most up-to-date and accurate housing assistance information during the COVID-19 national emergency.

The website consolidates information about the CARES Act, mortgage relief options, renter protections, and information on avoiding COVID-19 scams. And it provides lookup tools for homeowners to determine if their mortgage is federally backed and for renters to find out if their unit is financed by FHA, Fannie, or Freddie.

That is an overview the actions FHFA and the Enterprises have taken to date to support renters and borrowers. We have been closely monitoring the data to see how consumers are responding and how the policies are working. At this point, I am encouraged by what the data is telling us about the state of the market, the capacity of servicers, and forbearance rates.

Of the total monthly servicing advances that Fannie and Freddie are responsible for, we know that roughly a quarter, or about $8 billion, rests with non-bank servicers. At a 6.25 percent forbearance rate, which is roughly what we are seeing with the Enterprises, that translates into around $500 million per month of non-bank incremental advance needs.

Were we to see forbearance rates dramatically increase to 15 percent, that uptake would be roughly $1.2 billion in monthly advance obligations. We are not projecting that forbearance will go this high. But this helps provide some context around the numbers we are seeing today.

According to the data MBA put out yesterday – which is similar to FHFA's data – Enterprise forbearance numbers remain manageable. As of May 3, about 6.08 percent of total Enterprise-backed mortgages were in forbearance. As of May 10, one week later, the share of Enterprise-backed mortgages in forbearance stood at 6.25 percent. To me, it is encouraging to see less than a quarter of 1 percentage point of an increase week over week. Going forward obviously we will keep an incredibly close eye on this and let the data drive our decisions.

In addition to protecting borrowers and renters, FHFA is focused on ensuring that the mortgage market continues to function properly both during and after this crisis.

A key part of this effort has been to adapt to the disruptions of social distancing and provide some flexibilities in the mortgage origination process. To respond to the shutdown of county governments across the country, FHFA authorized several flexibilities around appraisals, employment verification, and loan closings for Enterprise customers. And we just recently extended them until at least the end of June.

FHFA has also taken action to support the liquidity of the housing finance system.

We instituted a four-month limit on mortgage servicers' obligation to advance principal and interest payments on loans in forbearance. This advance obligation limit provides much-needed stability and clarity to the mortgage market. It enables mortgage servicers to know the duration of their advance obligations on loans for which borrowers have not made their monthly payment.

Let me emphasize a key point about the four-month advance limit. As I mentioned earlier, the current Enterprise forbearance rate of roughly 6 percent translates into about $500 million in monthly advance obligations for non-bank servicers on Fannie and Freddie loans. They are responsible for only four months. This means the total four-month obligation is about $2 billion. FHFA's internal monitoring of Enterprise servicer balance sheets indicates that non-bank servicers' liquidity is multiples of this number.

Again, that number could increase incrementally. But the four-month advance obligation limit provides market stability for servicers during this critical time.

In addition to the four-month advance limit, FHFA instructed the Enterprises to keep mortgages with COVID-related forbearance in MBS pools for at least the duration of the forbearance plan. This will reduce liquidity demands on the Enterprises.

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 criteria. Charging a fee for these transactions is consistent with our statutory mandate to "preserve and conserve assets" and the charter requirement to purchase only loans that meet the standards imposed by private institutional mortgage investors.

It is important to recognize that the Enterprises have never had the option to buy loans in forbearance. The status quo was that they could not buy these loans. And now FHFA put a new option on the table for the first time.

Finally, FHFA approved the Federal Home Loan Banks to accept Paycheck Protection Program loans as collateral when making loans to their members.

The Federal Home Loan Banks deserve to be recognized for the support they provided at this time of market stress. When this crisis began, the Banks helped keep liquidity in the market. Then, after the Treasury and Federal Reserve facilities came online, their balance sheets came back down. This is exactly what they are supposed to do. And it is why FHFA is focused on ensuring that the Banks remain strong and well-capitalized in order to be a source of liquidity when their members and the economy need it most.

I am proud of the steps FHFA has taken – working with the Enterprises – to support renters, homeowners, and our nation's housing finance market during this time. And I am grateful to our industry partners that continue to engage in a constructive, thoughtful way to find common ground and solutions that work for everyone.

Working closely with FHFA's stakeholders has been a top priority of mine during my first year as Director. The past few months illustrate how important it is for FHFA to hear from those who can tell us what is happening on the ground in real time.

We remain in uncharted territory. To get through it, we must keep working together and communicating. We still have more work to do to get through this difficult time and continue building a housing finance system that is strong and resilient, in good times and bad.

I look forward to working with all of you over the next four years of my term to accomplish these goals.

Thank you again for inviting me to join this conference. With that, I will turn it over to Susan. I look forward to answering some questions.