

HFA Announces Several Changes to Residential Mortgage Market Relief Programs

By Sean Fulmer

Original post [here](#).

In quick succession at the end of August, the Federal Housing Finance Agency (FHFA) announced three policies to assist homeowners affected by the COVID-19 pandemic and ensuing economic crisis.

First, the FHFA [delayed](#) the implementation of a proposed fee on mortgage refinancings until December 1, in response to widespread criticism of the proposal amidst a booming refinance market. Second, the FHFA [extended](#) the moratoria on foreclosures and evictions on federally-backed properties by Fannie Mae and Freddie Mac (the government-sponsored enterprises, or GSEs). Third, the FHFA [allowed](#) the GSEs to purchase loans that have benefited from forbearance for another month, until September 30.

Refinancing Fee

On August 12, Fannie Mae and Freddie Mac [announced](#) that they would levy a new 0.5% one-time fee on refinanced mortgage loans, with the FHFA's approval, to take effect on September 1. The institutions project that the pandemic will [cost](#) them \$6 billion, largely in loan losses, which the new fee would partially offset. The GSEs [argued](#) that, due to record low mortgage rates, consumers are already refinancing at a lower rate than their initial mortgages, which has driven a massive boom in the refinancing sector as well as high profit margins for the lenders. Therefore, the GSEs argued that their new fee would not be damaging to the market and that lenders could take on the fee.

However, lenders and consumer groups pushed back against this measure and the timing of its implementation. The Mortgage Bankers Association [estimated](#) that the new fee would require lenders to pay approximately \$750 million to the GSEs. Additionally, since the implementation of this fee is so rapid, the fee would possibly be [passed](#) on entirely to the consumer, if their refinancing is not locked. This would [add](#) about \$1,400 in costs on the average loan backed by GSEs over the length of the loan, if the entire fee is passed on to consumers. The White House [criticized](#) the measure as unfairly harming consumers, but has no direct oversight over the FHFA, which is an independent federal agency.

On August 25, the FHFA [responded](#) to the criticism of the new fee by delaying it until December 1. Additionally, the measure will now exempt refinancing loans that have a loan balance below \$125,000, which are held mostly by lower-income borrowers. The Mortgage Bankers Association [applauded](#) the decision and said that the delay will allow lenders to close refinance loans that are currently in the pipeline.

Extension of Foreclosure and Eviction Moratoria

On August 27, the FHFA [extended](#) the moratoria on foreclosures and evictions until December 31. The current moratoria would have expired on August 31. The foreclosure measure applies to GSE-backed, single-family mortgages, a category that includes more than 28 million homeowners. The FHFA projects that the moratoria, as extended, will cost the GSEs \$1.1 to \$1.7 billion in loan losses.

The moratorium on evictions only applies to properties that the GSEs acquired through foreclosure or deed-in-lieu-of-foreclosure transactions. The GSEs have [offered](#) other forms of relief for homeowners, such as forbearance for up to a year, waiving penalties or late fees, and loan modifications.

According to a [report](#) from Black Knight, a mortgage data and technology company, mortgage delinquencies fell 9% in July from the month prior. This was driven by a decrease in early-stage delinquencies, which signals that the flow of Covid-19 related delinquencies has eased up. However, seriously delinquent mortgages rose to a 10-year high in July.

The CARES Act provided a four-month eviction moratorium, which ended on July 24 (see [here](#), pp. 492-493). Since the lapse of that protection, Congress has passed no further policies to benefit struggling renters and homeowners. President Trump issued an executive order on August 8 promising to provide assistance to renters and homeowners. However, the executive order created no new concrete programs or protections. A recent report by housing advocates [claims](#) that 30-40 million people are currently at risk of eviction in the United States.

Extension of Loan Purchasing

On August 26, the FHFA [announced](#) that the GSEs will buy loans in forbearance until September 30, a month after the previous deadline. Initially launched on April 22, this program has provided liquidity to the mortgage market and encouraged further lending to new mortgage borrowers. See this YPFS [blogpost](#) for additional information on the program. Additionally, this announcement extended loan origination flexibilities, such as alternative appraisals and alternative methods for documenting income and verifying employment. The FHFA [says](#) it hopes that these actions will encourage more mortgage origination in a slow market.