March 25, 2020

Senate Majority Leader Mitch McConnell
United States Senate
Washington, DC 20510

Senate Minority Leader Chuck Schumer
United States Senate
Washington, DC 20510

Speaker of the House Nancy Pelosi
United States House of Representatives
Washington, DC 20510

House Minority Leader Kevin McCarthy
United States House of Representatives
Washington, DC 20510

Dear Majority Leader McConnell, Speaker Pelosi, Minority Leader Schumer, Minority Leader McCarthy:

We write today in support of the Congress and Administration's efforts to secure an economic stimulus package to provide relief in light of the ongoing COVID-19 pandemic. While enacted measures such as delaying the tax deadline, deferring interest on student loan payments, and establishing updated paid sick leave policies are welcome developments for those we represent, this letter focuses on the proposed programs and policies to suspend mortgage payments, and ensuring lenders receive the liquidity necessary to continue advancing payments on behalf of consumers.

Proposals for widespread forbearance – the term for when your mortgage servicer allows you to temporarily pay at a lower rate or pause payments - are well-intended and can provide much-needed economic relief to American homeowners. The typical mortgage can add up to nearly 30 percent of the average American family's income, and with many individuals temporarily out of work and impacted by COVID-19, forbearance can allow such funds to be reallocated to immediate life-sustaining expenses like meals and medications.

But giving homeowners the ability to pump the brakes on mortgage payments doesn't stop the clock. Regardless of whether borrowers are able to make payments, service providers are still required to submit payment. This means that while millions of Americans may have a temporary pass on making payments, servicers do not.

Given the liquid nature of their business, banks that provide mortgage lending services have a greater chance of weathering the storm.

However, non-depository mortgage lenders, such as PennyMac, New American Funding, and Veterans United, will not have the same option considering their limited liquidity. This presents a challenge considering more than half of all mortgages in recent years came from non-depository lending institutions. Depending on the duration of the crisis at hand, non-depository lenders will not have the liquidity to advance mortgage payments at the high rate that will be necessary – backtracking relief efforts and requiring further government intervention.

If big banks are the only option for consumer mortgages, we will be taking an unfortunate step backwards in history. Why?

Non-depository servicers open the door for homeownership for many American families. These institutions play a key role in market diversification and provide new opportunities for credit-challenged borrowers and lower-income populations who may not be approved by a depository mortgage lender.

Home ownership has long been a quintessential element of the American Dream. It is more than a place to live. It is a tangible path to the middle class – and arguably the greatest investment an individual can make. Furthermore, expanding access to home ownership is key to closing the gap between socioeconomic classes, providing new economic opportunities for lower-income populations, and laying the foundation for success for aspiring homeowners. Non-depository mortgage servicers are the backbone of American real estate; our policymakers must act accordingly.

It is essential that the Congress and Administration work together to provide lenders and servicers with access to the necessary liquidity to maintain the extraordinary rate of forbearance. Addressing this challenge now as a liquidity issue will cost much less than if it becomes a solvency issue down the road. Without the necessary action, the real estate market could face similar challenges to the Great Recession in 2008.

We understand that a couple of different options are available, including Ginnie Mae's Pass-Through Assistance authority and the Federal Reserve's 13(3) authority, which has already been deployed for other emergency funding needs during this crisis. Which path you choose is ultimately up to you, but it's imperative that you do something.

Considering more than half of our nation's homeowners rely on non-depository mortgage providers, a comprehensive economic stimulus package must consider the needs of these institutions that millions of American families rely on to make home ownership a reality.

We thank you for your timely attention to this important matter and stand ready to provide the necessary support and collaboration to ensure our nation's non-depository mortgage providers are able to continue serving American homeowners.

Sincerely,

National Association of Real Estate Brokers (NAREB)
National Black Caucus of State Legislators (NBCSL)
National Newspaper Publishers Association (NNPA)
National Organization of Black County Officials (NOBCO)
Reverend Peter Matthews: Mckinley United Methodist Church, Dayton, Ohio
Reverend Robert Collier: President of the Black Clergy of Philadelphia & Vicinity
UBUNTU Chicago

CC:

Secretary Steven Mnuchin
United States Department of the Treasury

Director Lawrence A. Kudlow
National Economic Council

Deputy Director Andrew Olmem
National Economic Council