Office of Housing Counseling

2022 Community Conference

Mortgage Lending: Guidance, Products, and Services

Karen Hoskins: Hello everyone and welcome to today's session titled "Mortgage Lending: Guidance, Products, and Services." My name is Karen Hoskins and I'm a consultant and housing counseling specialist with ICF.

In this session we'll examine the current and future role mortgage lending plays in helping more borrowers obtain affordable homeownership. But before we begin, let's cover a few of the logistics.

As we mentioned in the earlier sessions, we're using the chat for any technical issues that anyone in the audience may have with the technology. If you're having a problem just post it to the chat and we have folks working behind the scenes that are available to assist you.

We're also using the Q&A box at the bottom of your screen for any questions that you might have for our speakers today. My ICF colleagues Sid Alvarado is here providing support and together we will be monitoring the Q&A box.

The materials for this session have already been posted on the HUD exchange so they're available. We will also be posting the live session to the exchange to the webinar archive within seven to 14 days. So any sessions that you missed will be available on the HUD exchange, the live version, within 7 to 14 days.

And then your attendance in this session is being marked so if you would like to obtain a certificate of attendance for this session you can certainly go to the HUD exchange and obtain it. All you have to do is go to your transcript and you'll be able to print out a certificate.

As we've been using in earlier sessions today as well as other HUD conferences, we use the Mentimeter polling software to engage with our audience. And we'll be using it for this session today. So let's try out Mentimeter. Let's pose our first Mentimeter question to our audience. We'd like to get to know you a little better before we have this conversation.

So our first Mentimeter question for the audience today is which mortgage services or products are most helpful to your clients? These are things that -- options that you have found most useful in working with your clients whether they be flexible credit options, second mortgage assistance, down payment assistance, which seems to be coming in big here, closing cost assistance.

Some folks need rehab loans or 203K program will be discussed here, as well as foreclosure prevention tools and resources. So again, it looks like down payment assistance is ranking very high among our audience today and understandably so. Down payment assistance can make the difference certainly between someone being able to become a homeowner and not.

And that seems to be followed closely behind by closing cost assistance, foreclosure prevention support. Great. Thank you. Thank you all so much for that. We'll continue to keep that poll running behind the scenes.

So here with me today are three industry experts representing offices and agencies that focus on strategies that help remove barriers and make homeownership and achievable goal for more Americans.

Julienne Joseph is the Deputy Assistant Secretary at HUD's Office of Single-Family Housing for FHA. Bill Merrill is with the Division of Housing Mission and Goals, with the Federal Housing Finance Agency. And Gary Acosta is co-founder and CEO of The National Association of Hispanic Real Estate Professionals. So welcome to all of our speakers. Our speakers will bring insight and perspective from the three industry sectors they represent today.

So following three brief presentations by our speakers we'll engage in some Q&A with them. We'll also provide, before we close today some resources you can access for more information about the agencies that are mentioned here and that are participating today.

So to get this conversation started each of our speakers will be provided a brief time for some updates and comments on topics of interest to housing counseling agencies. And then after that I'll engage them in a discussion and take a slightly deeper dive on the current and future outlook of mortgage lending. And again, Sid and I will be keeping an eye on the Q&A box for any questions you might have for our speakers, and we hope to get to as many of those as we can.

So with that, I'll turn it over to Julienne to talk a little bit about HUD's Office of Single-Family and what's going on there. Julienne.

Julienne Joseph: Wonderful. Thank you so much, Karen, to you and to ICF for facilitating such wonderful discussion today. I'm so happy to be here. As the deputy assistant secretary for Single-Family Housing at FHA it's an honor and a privileged to be here with the housing counseling community and all other participants in the housing ecosystem.

When I first assumed this seat, a little over a year ago, it was within the thralls of a pandemic where, you know, FHA was charged along with other federal agencies to figure out how we would address the pandemic and to provide resources for struggling homeowners to ensure that they had the greatest chance of sustainable homeownership.

So much of that is predicated on the efforts of not only the lending community, the servicing community, but also the homeownership in the housing counseling industry as well. And I would be remiss if I did not mention my colleague David Berenbaum, the deputy assistant secretary in the Office of Housing Counseling for his partnership over the course of the last year.

And all that he and his team have provided to the Office of Singe-Family Housing in providing us support and feedback from the housing counseling industry to help us create tools that would help these struggling homeowners. So thank you so much David for all of your partnership, your friendship and your contributions to the success of our loss mitigation efforts.

So with that being said, while we have focused so much on our abilities to help people during the pandemic and how they're struggling, we've also wanted to make sure that we were keeping our eye on the need for access to credit as well for borrowers.

And I just wanted to speak briefly about some of the things that we're doing. And we're looking ahead to how we can help borrowers transition who are either looking to access credit going forward and those who are still trying to weather the storm with the pandemic, as we know that it is still ongoing.

In the access to credit space, one of the things that we're looking at right now is how to incorporate positive rental history into the automated underwriting system. Now specifically for FHA borrowers we know that credit score doesn't necessarily equate to credit worthiness.

So what we wanted to be able to do is to take into consideration how borrowers have been able to handle their current housing payment and see how we could incorporate that into automated underwriting to give them some credit for that -- no pun intended -- in our actual algorithm.

And we know that working with our other sister agencies that there are efforts in how to figure out how to have positive rental history reported through the credit reporting structures that are already in place. But understanding that a lot of FHA borrowers may not be renting from a, you know, formal property management system.

Maybe they have an independent landlord -- a mom and pop landlord who may not participate in that type of program by submitting actual rental history reports to the credit bureaus. We want to ensure that FHA borrowers are still able to receive some benefit for that.

So we are in the process of creating a policy framework at FHA that we would allow the application to actually identify borrowers who have a strong rental payment history so that can be factored into their credit worthiness as they're applying for financing for FHA. So that's something that we have on the horizon.

We also want to start looking at small dollar mortgages again. And we understand that while the rising housing price appreciation has made us move away a little bit from that conversation, but it's all relative, right? Just because a small dollar loan of yesterday maybe would have been $100,000 the cost to originate anything is also going up as well.

So what we want to do from FHA's perspective is to take a look at what we can do in order to support through our policies and guidelines how to make these mortgages more accessible for borrowers who are in low to moderate income, communities, as well as to make it more -- make it easier for lenders to participate in originating those mortgages, as well.

So we'll be reaching out to the industry very soon to gather some feedback on how we can participate in helping make these mortgages more available for borrowers and lenders alike. Another thing that we want to do is look at how we can work with the Latino community in order to make underwriting easier for them as well, particularly as it relates to multi-generational income.

And we know that across the community, especially in communities of color, that this is a factor. And what we want to do at FHA is ensure that that is not a barrier to the approval process for

those communities. So with that being said, whether it's through training or clarifying guidance we're pursuing in the Office of Single-Family how we can ensure that there's clarity around that underwriting and that origination process as far as multi-generational income.

Also, we're looking at how to streamline the 203K process. What we can do to make that program more efficient and more effective. As we feel the constraints of a tightening housing market as it feels that supply just isn't there for borrowers particularly those in the FHA community are feeling it even more.

And some of that is because there are some properties that might not be turnkey ready. That may need a little bit of TLC and the 203K program would be a wonderful tool in the toolbox for these borrowers because they do still offer a low-down payment options but also provide them with the opportunity to update and upgrade these properties to the point that they could be just as good as a new construction property.

But if we make it too complicated not only for lenders to access it but also for borrowers to understand it then that is an opportunity that we're missing. So again, we're going to be reaching out to the industry as well for you all to share with us what we can do in order to make that process and that program more effective and again, another resource for borrowers who are looking to do some renovation on their homes.

And the last thing that we want to look at is how to streamline the condo approval process. Because condos are often the gateway for affordable housing and we want to make it as easy as possible for borrowers to achieve homeownership and by way of condos, that's usually a good way for them to do that.

So overall, we want to ensure that FHA financing is available. Where it's eligible. and to ensure that lenders have that opportunity to offer that lending and that financing to borrowers. And to see what it is within the process that may be a barrier to certain condo approval projects being able to offer FHA financing.

So Karen, those are just a couple of the things that we're working on in the future. We're really excited about a lot of the progress that we're making, and we look forward to engaging with the industry. And folks who are on this call, please continue to give us your feedback in any way that we can improve the program and support you we are happy and willing to do that. So thank you so much and I'll kick it back over to Karen.

Karen Hoskins: Thank you, Julienne. It's really exciting to hear some of the great work that the Office of Single-Family is engaged in. So it creates excitement for us in looking forward to the future of what you all are -- the outcomes of some of the work that you all are engaged in. So thank you.

Julienne Joseph: Thank you so much.

Karen Hoskins: And then Bill, what's top of mind for you and FHFA?

Bill Merrill: Oh, thank you, Karen. Good afternoon, everyone. I absolutely want to share some things that we've been working on. The first thing I want to do, though, is thank you. You know, housing counselors provide such a fantastic benefit to new home buyers and it's so important to not only get a borrower in their home but all the work that you all do, tirelessly, to help them stay in their home. So I just want to start my comments with saying thank you.

I do want to share a couple items that I think would be interesting in the counseling community that the enterprises have recently announced or are participating in. The first one I want to start with is a couple underwriting changes that they've made. They may be of interest.

So the first is that both Freddie and Fannie are taking rental income into consideration. So they go out and they'll look at the borrower's assets accounts, look at that information, look at rental payment history and bring that into the underwriting decision where it's needed. So that's a recent roll out and I encourage you all to take a look at it but we're definitely going to be helping borrowers through rental income here with both enterprises online.

Another change that was recently made, and you probably have seen Freddie Mac's announcement, is to begin considering ADU rental income. So if a borrower, you know there's a lot of ADUs in California and other states, they may be wanting to purchase with an ADU with rental income.

Rental income, now, will be a consideration for underwriting when the ADU is rented out with a lease. So our hope is between those two changes and consideration of payments that it will really help more borrowers qualify.

Couple things I want to cover appraisal bias. FHFA is a member of HUD's committee on PAVE. If you haven't heard about it, it's a governmental committee looking into appraisal bias concerns out there in the industry. And a couple things I'll point you to both Freddie and Fannie have published some papers on concerns with bias especially in communities of color.

One of the things that the enterprise has recently did back in March to help with appraisal bias is they rolled out full access to desk top appraisals. So desk top appraisals is when an appraiser does not actually visit the property. There's been a lot of concerns with an appraiser seeing the interior of the property and that potentially having an influence over their valuation of the property. Having desktops come online this past March will help reduce some of those concerns.

A couple of things I'd love to share with you, the director made a decision to recently make these supplementary consumer information form, also known as the SCIF, required for lenders. So starting in March of next year the lenders will be asking borrowers two new important questions. And I think one of them is going to be near and dear to your heart.

The first one is asking for the borrower's language preference. How would they like to be communicated with? That information can be passed to the lender and then to servicing in the future.

The second thing is it does ask you where did you get your housing counseling? It also asks you how you received and what format you got the counseling in. So it's optional for borrowers but it's required for lenders starting next year. So our hope is capturing that information and of course getting that counseling information will help track that on a go forward basis.

Another item you may have seen us release earlier this year was the Housing Equity Plan. That is public information. I really encourage you to take a look at our website and look at Freddie and Fannie's plan. I watched the survey here that you took at the beginning of the call, and I will highlight for you, inside the plan is a down payment tool.

So the GSCs you're looking into whether they can build a utility out there that would help line up borrowers that need down payments with provider's down payment assistance. So trying to match up ours with assistance providers in the future is a tool that they're working on here to continue to progress and building that system out.

Another consideration under the equity plan is to begin researching and seeing if we can pilot special purpose credit programs.

So I'm sure my colleague covered with you all in an earlier session but that is an opportunity for the enterprise is in certain lenders to take a look at whether we can structure certain programs and underwriting options and requirements in specific geographic areas that have had disparity impact in the past. and we're very excited about the opportunity to begin getting that off the ground, for sure.

The last thing I want to share with you is around mortgage translations. So if you're unaware of it, it's a great tool out there and I think some of you on the phone were probably involved in helping us put it together because there was an advisory group with counselors on it.

We have on our website translated numerous mortgage documents. That includes servicing documents and how to get help in five major languages. So that's out there as a resource for you all that you can provide to your borrower. We're still working on that site. Next up here over the next year 2023 we're going to work on translating security instruments. So that part continues to progress and provide a tool for the industry as a reference.

So that shares a couple highlights with you. I'm looking forward to sharing more with you. But I'm so happy we can partner with you all to provide these tools so we can all succeed in our efforts to make homeownership accessible but also sustainable. So thank you again for all your efforts and all your time in what you do. Karen, let me send it back to you.

Karen Hoskins: Okay, great. Thank you, Bill. Lots of great information you shared. I know we just touched the surface on a lot of that, but I particularly want to thank you for mentioning the work that's being done to mitigate appraisal bias. I know that's top of mind for a lot of -- in a lot of areas across the country. So it's great to hear that FHFA is involved in bringing more equity to that process. So thank you.

And then finally we have Gary Acosta. And Gary brings a slightly different perspective to this conversation in that, you know, he's bringing the perspective of the -- not only the real estate community but also the homebuying public and their concerns, particularly communities of color and what they -- the challenges they face in the homebuying process. So Gary, talk to us a little bit about what's top of mind for you in NAHREP right now.

Gary Acosta: Thank you, Karen and thank you for the invitation and I'll echo the comments that were made earlier. Thank you to the housing counseling community for the role that you play and facilitating sustainable homeownership throughout the United States.

NAHREP, the National Association of Hispanic Real Estate Professionals, is a 22-year-old organization. I co-founded that group way back when. It has grown to be probably the largest Latino business organization in the United States with about 60,000 members throughout the country, 80 local chapters and a pretty robust organization overall.

So we're large and we want to get bigger because the Latino community, from a housing perspective, is moving into markets that I deem as sort of non-traditional Latino markets. So some of the fastest growth for Hispanics in the United States right now are in the mid-west and in the south.

And markets that have not historically had large Latino populations. And I'm sure all of you who are out there in the marketplace see that happening in many of the markets that you work from.

One of the things that NAHREP does every year is we produce a couple of reports. One of those reports we call the state of Hispanic homeownership report. And we track trends and progress as it pertains to Latino homeownership. The Hispanic homeownership rate right now in the United States is just under 50 percent. So it's about 48, 49 percent, which means roughly half of Latino households are owner households.

This trails the overall population by about 20 percentage points. So the overall homeownership is somewhere in the mid-60s, you know, high-60s. And so, that's quite a gap. Now a large percentage of that gap, not all of it but a large percentage of that gap can be attributed to the fact that Latinos are also the youngest segment of our overall population.

The average age of a Hispanic or a Latino in the United States is roughly 29 years old, which is 14 years younger than the non-Hispanic white population. It also means that Latinos are entering those prime home buying years right now. And it's one of the reasons why the Urban Institute estimates that Latinos will account for roughly 70 percent -- that's 7-0 -- 70 percent of homeownership growth over the next 20 years.

So obviously that's a big number and Latinos, like I said, have traditionally lagged the market in terms of homeownership rates. But we expect that to change. And we see that happening in a lot of different markets right now.

One of the things that we also include in that report are what we deem as barriers to Hispanic homeownership. And some of that helps us craft our policy positions as an organization. Some of it helps craft some of the activities that we engage in as an organization.

The primary barrier to homeownership, regardless of ethnicity or demographic is inventory constraints in the marketplace. The lack of affordable housing stock in key markets throughout the country is something that we're all dealing with right now. And unfortunately, there's not a silver bullet to solve that issue.

Another issue that is very, I don't want to say uniquely Latino, but I think this partially affects the Latino population is income. Latinos are earning more income than they have historically and they're closing the income gap. But Latinos are also twice as likely to own a small business in their household as the overall population.

As we all know that our economy has changed quite a bit in the last two years that the terminology gig economy is something that we use as people have gotten into non-traditional employment circumstances. I joke that Latinos may have invented the gig economy decades ago because Latinos have always done things to supplement their income.

Side hustles, selling things at swap meets and helping people with cleaning their homes and so forth. So documenting that income and qualifying Latino homebuyers using traditional means is a challenge that I think the industry is trying to address right now. And something, like I said before, that disproportionately affects the Latino population.

And then there's language. And language is still a major issue as it pertains to Hispanics in this country. We survey our members regularly to try to get a grasp on how much of an issue language is.

Our members tell us the roughly 50 percent of the real estate transactions that a Latino is a part of are conducted, at least in part, in Spanish. And 25 percent of those transactions are conducted entirely in Spanish. So language continues to be an issue and a barrier, and I know the industry is trying to address that right now.

And we also work on issues such as immigration reform. Latinos actually impact the -- both the supply side and the demand side of real estate in this country. Represent about 30 percent of the workforce in the construction industry. And about half of those Latinos are immigrants. And we're going to address the supply issue and the housing supply issue in this country then immigration reform needs to be a part of that conversation.

So pivoting real quick to what NAHREP does as an organization. We spend a lot of time really educating the real estate professional apparatus out there that serves Hispanic homebuyers and sellers. We want to see more diversity in the real estate industry both in the real estate brokerage side as well as financial services.

If I had one -- one silver bullet that I think would have the biggest impact on Hispanic homeownership, I would double the number of Latinos in real estate and mortgage banking over

the next 10 years because I think it's going to require that to adequately serve the growth in the Latino housing sector.

And finally, I would say to the housing counseling community our organization is a real estate professional organization. It's not a realtor organization. That's an important distinction. Which means that our members can come from the entire housing ecosystem. So we have members that are realtors, and real estate brokers.

We also have members who are -- come from the housing finance industry. But housing counselors can also be members of our organization. And I encourage you to explore that because I guarantee you that if there is a NAHREP organization or chapter in your marketplace they would certainly love to hear from you. And they can certainly benefit from the services your organization provide in those local communities.

So -- so that I think give you a pretty good wrap up of NAHREP and things that we're focused on and what we do as an organization. And I look forward to further collaboration with the housing counseling community.

Karen Hoskins: Thank you for that, Gary. And really appreciate the mention that you made about housing counseling agencies and the connection with real estate professionals, NAHREP members in particular.

There's always been that sort of, push and pull to try and create better collaboration between the housing counseling community and the real estate community. So we appreciate that NAHREP is actively trying to bridge that gap and bring together better relationships that result in better outcomes for borrowers. So thank you for that.

So now I want to invite, now that we've heard from our three speakers, I want to invite three of them, if they would, to all come back on camera. And there's a few questions I want to ask -- pose to all of them to get their responses to.

Each of them has talked about some pretty aggressive agendas each of their agencies are engaged in. Obviously, there's a lot of work yet to be done. But the question for each of you is what are you optimistic about? You know, there's a lot of work in progress but what are you optimistic about as you think about what the future of affordable mortgage lending might look like.

So going back to Julienne. Julienne, you want to try to tackle that one first?

Julienne Joseph: Yes. That's a great question, Karen. The one thing I will say I'm optimistic about is the support of this administration to put housing at the forefront of a lot of their agenda. I love the fact that housing is getting so much attention and clearly funding, as well.

We've seen just in the last 24 to 48 hours how, you know, for multi-family housing there has been a huge investment that is being made in the funding that's going to be approved by congress for retrofit for multi-family properties. That is amazing.

So I think that we have the ear of the President. And that is a, you know, at least from my remembrance. I cannot remember a time when an administration has been as supportive of affordable housing initiatives and racial equity in housing as it is right now.

So I think we have momentum. And I think that we would be remiss and not take the ball and run while we can. So I'm extremely optimistic to know that we have the support of the administration to accomplish as much as we can in the housing and racial equity space.

Karen Hoskins: That's wonderful. Thank you for that. Bill, what are you optimistic about?

Bill Merrill: Oh, there's lots of things to be optimistic about. I'm very excited about this group helping us with that. So one thing I didn't mention earlier was the FHFA recently published a mission report. And in helping prepare that report you have to be very optimistic about what you see in there.

The number of first-time homebuyers in is quite strong as we begin to get younger generations into homeownership and to see a solid percentage of first-time homebuyers coming into the market is very good for our future. I'm looking forward to that to see more.

Couple other quick things I've seen. We've recently focused the enterprises on their duty to serve objectives. And we're seeing volume increase in there. That's for manufactured housing, rural housing, areas of focus such as that. We're seeing more and more loans getting purchased by the enterprises in partnership with lenders that meet the needs of more the rural community. So it's fantastic to see.

We're seeing more progress on appraisal modernization. I mentioned the buys concerns before. We've tasked both Freddie and Fannie to think about new ways to look at how you value collateral. Moving right along with suggestions, I mentioned desktop earlier. We're also testing hybrids, which involves another person going into the property other than the appraisal. So continue to look at ways to lower bias. It's out there.

Also, mentioned the equity plans. Again, I'll put another plug in for you all to take a look at them. They are a three-year plan that is specifically focused on closing homeownership gap and providing the equity and sustainability that's needed out there. So I'm looking forward to taking a three-year journey with Freddie and Fannie and with you all on making that dream to close the gap part of those plans.

And lastly, I'll leave you on I know Julienne mentioned a lot about Covid. I'll put a plug in for FHA and for us. You know, we did over two million -- two million Covid forbearances and over 95 percent of those have cured.

So the loss mid tools and the tools to help ours out there really stood out during Covid well both FHA and Enterprise and VA. We're very successful at helping borrowers through Covid. So I think we learned a lot from the housing crisis on the go forward basis. So I think a lot to be optimistic about.

Karen Hoskins: Good. Good. Glad to know both of you are optimistic, you and Julienne. So Gary, I know you -- there's still a -- and you mentioned in your remarks there's still a lot of challenges around racial equity and other topics particularly from your remarks associated with the -- in the Latino and Hispanic communities. But is there anything you're particularly optimistic about?

Gary Acosta: Well, I would say yes, absolutely. There's a lot to be optimistic about. I think one thing that's important to note is that Latino homeownership rate, as well as other demographics, have seen an increase in our homeownership rates consistently over the last six, seven years.

So Latino homeownership rate has incrementally, but has increased every year for the last seven years. So that momentum is important, and I think it's indicative of an industry that is starting to recognize not only that it's the right thing to do in terms of serving traditionally underserved markets but also, that's where the growth is. That's where the future of the housing market lies for all of us that are stakeholders in the housing industry.

I would say that our industry, for whatever reason, has been slow to adopt a change historically but there's more focus and more understanding and more attentiveness to the issues that I've seen in 20 years.

I think the other thing that I'm excited about is innovation. Heard more about innovation in the last two years than probably in the previous 10 years or longer. And the innovation is promising in proptech. Innovation is promising in vintech. I think all of those innovations hold a promise for lowering barriers to people who have historically not had the relationships or the experience to navigate through a very treacherous and complicated homeownership process.

And finally, I think that we learn so much in -- during the great recession that the term sustainability of homeownership is now a standard talking point as it pertains to anything related to if anything, homeownership. We now know that homeownership without sustainability is not only not good it's actually detrimental to communities and especially communities of color.

So all those things, I think, give me reason to be optimistic.

Karen Hoskins: That's great. That's great. And so, I want to ask this of Bill and Julienne. Again, Gary, you were helpful in sort of pointing out some of the challenges associated with in the home buying process withing the Hispanic community.

But going back to -- just for a second -- to Bill and Julienne. I know you're optimistic about the future, which we're encouraged by. But also, what would you anticipate might be some of the challenges along the way in achieving some of your -- some of the things that are on your agenda? Bill, you want to start that?

Bill Merrill: Sure. Absolutely. Two things come to mind where housing counselors can really, really help out. The first is, you know, when we look at the performance of housing counseling loans, these are loans that are counseled up front. For example, on the 97LTB programs that the

enterprises have. There is a good solid approximately two-year period where these loans outperform other loans.

What I mean by that is they're delinquency rate is better. Right. And others are lower. What we do see is over time that gap narrows and merges. So the borrower he/she listens to you. Gets into the home. Does a great job but then, sort of, makes sure that uh-oh, I've got to remember I've got to go to Home Depot. So I think what would really be a -- where you all can help out is a challenge is to continue to meet with borrowers after they've already moved into the home.

So 12 to 24 months afterwards, it's that sweet spot. I know it's hard to get a hold of borrowers where you coming back in and helping them with budgeting, helping them where they thought they would be versus where they are and the big impacts of life really can help them long term. So I think that's a great spot for counselors to come in.

The second one, and you all have historically been fantastic on this is, you know, I think we need to get ready for increase in delinquencies in the marketplace. Covid has, you know, been a great resolution but we're seeing, I think last week, a massive credit card debt where borrowers are using credit cards to pay for gas and groceries and other things. Saving rates are going down.

So I think we're going to see some pressure on families here over the next six to eight months. And you all can play a great role in helping borrowers stay sustainable and help them re-budget and be a lifeline for them as they think about their options.

Go over the budget with them and understand the loss mit toolkit that's out there to help everyone because I think we all share that goal of keeping them in their home. So those are two that stick out for me. Let me pass it over to Julienne.

Karen Hoskins: Yes, Julienne.

Julienne Joseph: Thank you. So I'm going to speak from two perspectives. I think the first would be from a policy creation standpoint. I think that the first thing to take into consideration are the vehicles in which we -- or the system in which we have to operate.

First would be statutorily. Any time that we are in the process of creating any type of policy, we have to evaluate which lever we need to pull. Sometimes it requires Congress to move on our behalf whether that's to provide funding or if there's a change in policy that would require some change in the law, which is a statutory change, which we know would require consensus in Congress. That's the first thing.

The second thing would be regulatory change, which would require us to do some level of rule making where Congress is not necessarily involved but there's an actual process where the life cycle can take anywhere from 12 to 18 months at FHA for us to do a rule making to make some type of policy change.

And the third thing, which is what we love, are administrative changes. Those are the things within the four walls of HUD or within our authority in order to make those changes. It's what

you see typically in the mortgagee letters. So I think what we look at and we gauge is what level of engagement do we have to have outside of HUD in order to make change happen?

So those are the types of things that we take into consideration. Sometimes the heavier lifts often require more due diligence, which may be a statutory change or regulatory change, which the challenge there is time, at the end of the day.

But that's why we try to look and see what we can do -- I don't like to call it necessarily low hanging fruit -- but those are the lighter lifts. The things that we have the existing authority in order to change, which we've seen a lot in what we've done in our Covid loss mitigation efforts, as well.

As far as the opportunities going on in the future, I think that while we do have a lot of tools that are in place in order to address the delinquent borrowers that are still out in our portfolio, we are going to lean heavily on the housing counseling community in order to reach those borrowers who still are afraid to engage.

I think that there's still a huge population that we're hoping will engage with their servicers and answer the phone, but this is where the housing counseling industry is a great partner for us in the lending community because you are a friendlier face. Let's just be -- let's be honest and call it what it is. That they are most likely willing to engage with a housing counselor before they will a servicer.

So you are our extended partner in helping get those borrowers to the help that they need. The last thing that I'll say is, you know, David in the Office of Housing Counseling was wonderful in helping us do an outreach count -- campaign through the Office of Housing Counseling.

Because we knew that it would be a greater likelihood that borrowers would be more receptive to assistance if they saw on the envelope The Office of Housing Counseling was the one extending the invitation as opposed to the Office of Single- Family, who they felt they owed the money.

So that is a great example that the influence that the housing counseling industry has and the feedback and the return on us reaching out through the Office of Housing Counseling has been very encouraging. So those are the elements that we take into consideration that are not challenges but opportunities. I'll call them those.

Karen Hoskins: Oh, I love the spin on that. Absolutely. Not challenges but opportunities. Great. And so, let's shift gears a little bit. Bill, I have a question for you. Certainly, with all the reports of flooding, wildfires and even historically hurricane. I want to talk a little bit about disaster recovery. And the question for you is, what is the impact to lenders when disasters occur and how can housing counseling agencies better support homeowners.

You know, we talk a lot about the impact to homeowners when disasters occur but what also is the impact to lenders, as well? And how can housing counseling agencies support both lenders and homeowners really?

Bill Merrill: Yeah. Thank you for the question, Karen. I think, you know, I'll echo what Julienne just previously said is you're a trusted partner. And that also plays into the borrower's the unfortunate victim of a disaster and you being there for them is crucial.

And a few things I would point out is to have a very rigid conversation with the borrower about what they want their next steps to be. How much damage is there? How is their family impacted? Do they want to stay in the property? What's their future plans?

Think about those and the expenses and cost related to that. Do they want to stay -- can they even stay in the property? Do they have to find another location? So I think you can be a trusted partner out of the gate to help them with early decisions they have to make.

They way the lender comes into play is on the insurance proceeds. So when a hazard insurance company pays insurance proceeds out, they typically will have the borrower and the lender as the co-payment.

So that means both need to approve the check and the disbursements out. So the lenders and specifically the servicers are put under pressure here if it's a very large -- say a large hurricane situation where their servicing units need to handle a lot of these types of transactions.

So you can imagine they want to get the money out to the borrowers and help but they're under pressure to get that going and may have a lot of -- large volume across all different kinds of insurance companies.

So I think, the next thing that -- where you all can help is to help facilitate those conversations. What the servicers try to do is set up lines immediately for borrowers who are impacted to call. You can participate in those calls with the borrower in that situation. And you want to make a couple of determinations with the lender.

One, does the borrower need to go on forbearance because let's say their job is also impacted by the disaster which is frequently occurs. Do they need to go on a loss mitigation activity such as forbearance?

And the same conversation you can start the ball rolling on the insurance proceeds coming in and working with the borrower on what the prioritization will be for the repairs. You know, roof, walls, whatever the case may be to make the property habitable again. So helping to facilitate that I think is very crucial.

Another thing as you can imagine is you can be an anti-fraud really trusted source. There is a lot of fraud that happens when a lot of money comes into a situation post disaster. You can help prevent borrowers from becoming victims of that fraud and to ensure they're fully restored in their property through honest contractors and get those contractors paid through the proceeds.

So you all can have a huge role in there and helping with the insurance, helping with the borrower, being a, kind of a person that helps them out with that lender conversation, making

sure you understand the work out options and really help them to avoid fraud. It's a crucial role you all can play.

Karen Hoskins: Okay. Great. That's really great helpful information, Bill. Thank you so much. Let's shift again. Let's go to Gary. Gary, we can see that even in the Q&A box from our audience lots of folks are wanting to know how to get engaged with local chapters of NAHREP. So can you just -- let's just jump to that. How can housing counseling agencies engage with NAHREP local chapters?

Bill Merrill: Well, first of all, yeah, we have chapters in 80 markets. You can find the location of those chapters at our website, which is NAHREP.org and there's contact information for the chapter presidents and all of our chapters have full time staff assigned to them at NAHREP centralized headquarters.

So you can also reach the chapters by contacting us through our headquarters, as well. Most of our chapters engage in about a half dozen or so events on an annual basis. Most of those events are educationally driven. So there's new trends, products, services, best practices that are discussed at those events.

They're great networking opportunities, as well. You bring a great value to the marketplace and to the extent that you can have a relationship with the NAHREP chapter. It's highly encouraged to do so. A lot of -- just to give you a little sense of the make up of the membership -- It's a -- as I said before, It's a make-up of both realtors, mortgage professionals and other folks in the housing industry.

You know, there are realtors who don't deal with buyers and work exclusively with sellers. But I guarantee you there are plenty of realtors in your market that specialize in dealing with buyers, who specialize in dealing with first time homebuyers.

And I get -- there's great opportunities for you to find those folks to work with in your local marketplace. They can also come and be speakers at events that you host and so, kind of, a cross pollination of services is something that's possible as well.

And, you know, I just think there's a lot of upside, especially now as the market is transitioning for that type of collaboration. There's going to be a little bit more of a shift towards a buyer's market. And there's also going to be a bit of a race to the bottom, if I just want to speak bluntly.

As interest rates -- fixed interest rates have gone up, we're going to see more adjustable-rate mortgages appear in the marketplace. We're probably going to see more non-traditional markets and even subprime emerge in the marketplace. So your role in helping to educate buyers and homeowners is going to be even more valuable, I would think, in the coming year or two.

Karen Hoskins: Okay. Great. Great. Thank you for that, Gary. Much appreciated. And before we shift to see what questions we have from our audience that have been posted to the Q&A Julienne, just a final question for you.

We certainly understand and acknowledge that your professional experience also includes experience as a housing counselor. So if you could just share now that HUD housing counselors must be certified what kinds of opportunities do you think that creates within the lending and housing counseling sectors of the industry?

Julienne Joseph: That's another great question, Karen. And I have to shout out my folks at the Neighborhood Housing Services of Baltimore where I was a pre-purchase and foreclosure counselor there shortly after the housing crisis around 2010. So learned a -- earned a lot of stripes there.

But to that point, I think what it does, it gives, and grants added credibility to the industry. I think for lending partners it in and of itself says something when an individual counselor does have that level of certification. At the time when I was providing counseling it was just the agency needed to be HUD approved at that time.

But the individual requirement for a cert -- an actual housing counselor to have that certification wasn't in place yet. I know that it was in the works but to see that it's actually come to fruition. I can tell you that that means a lot to the lending community. And it says a lot that that investment is being made in the actual counselors to ensure that they are the best trained.

Because being in that space I understand that that is an OJT situation. Like you can do the best that you can. Karen is smiling because she knows. You can do it. You can read a handbook. But being actually in the trenches and doing that level of work is a great supplement to that. But I think having that individual certification illustrates to the industry that you are truly qualified in order to provide the information that you give and the counseling that you provide.

So I think in the long run especially, it is that stamp of approval on behalf of the government that the individual counselor is qualified in order to provide that level of advice and assistance.

Karen Hoskins: Fantastic. Thank you. Appreciate that. And thank you to Julienne, Bill and Gary for helping us better understand the mortgage lending landscape and giving us some things to think about when considering ways housing counseling agencies can better prepare their clients to be approved for a mortgage that really best suites their financial circumstances.

So before we move on, though, to our audience Q&A, let's do one more Mentimeter poll to see what resonated most with our audience based on the information the three of you shared. So if we could do that Mentimeter poll. Here we are. Yes.

So what aspects of the presenters' remarks were of interest to you? The categories being breaking down racial inequity, use of rental history in underwriting. We have loan streamlining, condo lending and the appraisal bias work. And the results are coming in. Thank you all again, so much for all of that great information as we wait for our audience to give their responses.

I think you've given a lot -- folks a lot to think about here today. As these results are coming in it looks like the use of rental history in underwriting is really ranking high. And that's -- that's been

a challenge in the past. So it's certainly encouraging to see that being more closely considered as a part of the underwriting process.

And then breaking down racial and equity barriers in lending. That's all of this is an ongoing process, but it was also great to hear that the three of you are encouraged in a lot of areas of this work that would have impact on some of this. So thank you all so very much for that. Okay.

So let's go to -- we did get a number of questions in the chat. For any -- some are directly focused to specific presenters and then others perhaps could be answered by any of you. But there are questions here, a few questions actually directed, I think, specifically for you to answer, Julienne.

One of them is how are student loan payments being handled during the Covid forbearance payment pause. Any response for that one?

Julienne Joseph: Yes. And a lot of people know, too, that student loan debt calculation was a huge, huge policy issue for me coming into this seat. So I was happy to see that Secretary Fudge was able to make that adjustment to the way the student loan debt was calculated to align with our partners in the GSCs VA USDA.

But in doing that alignment we understood that for some borrowers who had a zero-payment reported, which was pretty much everybody with student loans right now because of the executive order by the President. We didn't want there to automatically be an assumption of .5 percent as if the debt did not have an existing payment.

So the way that we actually modified that payment for Covid flexibility is that if a borrower is able to provide what the regular payment would be outside of the mandated forbearance, then the lender will use that payment of what the regular payment would be.

If the borrower is not able to exhibit what the actual payment is it will be .5 of the outstanding balance, if they're not able to show what the payment would be outside of the forbearance.

Karen Hoskins: Okay. Great. Thank you. And as I said, my colleague, Sid, from ICF is also here. Sid anything you seeing in the chat that we might pose to our speakers?

Sid Alvarado: Thank you so much, Karen. It looks like there was a few questions -- many of the panelists -- presenters have actually already answered many of the questions that were there. But I see that there were quite a few asking about a lenders list for those who desire to connect their clients with lenders who are doing a 203K loan.

And so, what I'm going to do is I'm going to actually post that. I know that Julienne did answer that question and provided a link. Some may not have seen it and so therefore there was some additional questions. So I'm going to go ahead and post that in the chat box now just so that everyone will have that link there.

Julienne Joseph: Thank you. And it's a great data base that you can actually filter what type of financing you're looking for for a particular lender and 203K is one of them. Title 1 is also one of the options there. So you can search for them by zip code and distance from that zip code as well. So that's a great resource for you guys.

Sid Alvarado: Thank you so much. And there were also a few questions on how some counselors can engage with NAHREP so, I'm also going to post that link in there just in case some missed that as well. Just so that everyone will have that link if that's something that you're interested in.

There were some questions on some -- if there were some specific chapters in certain states. And I know Gary provided us with that information, so I went ahead and just put that link in the chat box, as well.

And I think another question for Julienne, which were quite a few, it was asking if there was an intent for FHA to somehow engage in allowing for co-ops to be an option for affordable housing. And I saw that you did answer that as well, Julienne. But I think just because there was some follow up questions perhaps for the broader audience, if you could provide some feedback on that.

Julienne Joseph: Yes. So there are two elements to co-ops that make it -- to make them ineligible at this time under FHA. The first is just the fact that co-ops, as you all know, are evaluated by shares as opposed to equity, which in pain claims can create a little bit of complication for us for a borrower that's in hardship.

The second thing is just the covenant that typically comes with a co-op with free assumability. With FHA every borrower should have the unobstructive authority to sell a property as they see fit. Unfortunately, in a co-op most sales would have to be approved by the actual co-op board, which is a violation of free assumability for a actual FHA bar to be able to sell the property with their own authority.

So those are the two barriers right now to the actual incorporation of co-ops for FHA insurance right now.

Sid Alvarado: Thank you so much. And it looks like, Karen, that we maybe have one -- time for one more question. There was a mention by Bill of a toolkit. And just wanted to know where we could find that toolkit. If you could provide that information.

Bill Merrill: I did. I did type an answer in there.

Sid Alvarado: Okay.

Bill Merrill: You can go out and google Freddie and Fannie servicing guide. They'll have in there the workout options available to servicers. Also, the servicer of the loan should also be aware too.

But that will explain things in there such as the forbearance and the payment to [inaudible] that borrowers may be eligible for. So the toolkit is a grouping of workout loan modifications that are offered to borrowers through the servicer. And you can check in their guides for that listing.

Sid Alvarado: Okay. Thank you so much for that, Bill. And we'll go ahead and get that posted, as well outside of today's session here just so that those that may want a direct link to that toolkit you'll have that.

Bill Merrill: Sure.

Sid Alvarado: And it looks like those are the questions that we have at this time, Karen.

Karen Hoskins: Okay. Great. Great. Thank you, Sid. And thank you to all of our panels. We appreciate your being here and sharing all this great information. We really hope and believe it has been a benefit to our audience to hear from the three of you.

So as we begin the close, here's some resources if you would like more information. We have the main page for Single-Family Housing. FHFA's homepage is here as well as the homepage for NAHREP. So you can click on these links for greater resources.

And we are reminding everyone, please continue the conversation on Whova. There's a lot of activity happening there. It's a great way to engage with other conference participants as well as if you have additional questions. You can also post them within this session on the Whova board.

Stay connected with us certainly through the use of the HUD exchange is a great resource. If you have a question that you would like to address or a comment directly to HUD, you can always do that at housing.counseling@hud.gov.

And our final session for today is coming up shortly. It's -- we have two concurrent sessions that are running that you can choose from. the first is Building the Housing Counseling Workforce. And that's running simultaneously with Nationwide Homeowner Assistance Fund. The HAF -- updates on HAF.

So if you are interested in both and can't attend both just know that these sessions are being recorded and will be available to view later within seven to 10 days of this event. So again, thank you all so much for attending today.

Thank you. A final thank you to our presenters. This concludes the session. And we look forward to seeing you at the upcoming sessions today as well as the rest of the conference tomorrow and Thursday. So thanks so much for your participation.

Julienne Joseph: Thank you so much.

Bill Merrill: Thank you.

(END)