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MORTGAGE BANKERS ASSOCIATION

December 20, 2022

The Honorable Julia Gordon  
Assistant Secretary for Housing and Federal Housing Commissioner  
Federal Housing Administration  
U.S. Department of Housing and Urban Development  
451 7th Street, SW  
Washington, DC 20410

**Re: Drafting Table for Expansion of Home Retention Solutions**

Dear Commissioner Gordon,

Mortgage Bankers Association<sup>1</sup> (MBA) and our members appreciate the Federal Housing Administration's (FHA) partnership and engagement with industry stakeholders to develop an effective COVID-19 loss mitigation policy. We understand that FHA is actively considering proposals to provide borrowers that need payment relief with additional solutions for today's high-interest rate market and that forthcoming FHA policy may extend beyond the COVID-19 National Emergency.

As you know, most borrowers exiting extended forbearance need more than a loan modification to achieve an affordable payment. Therefore, the MBA supports efforts by FHA to consider further changes to loss mitigation policy to preserve homeownership and reduce risk to the insurance fund, including, for example, assessing the use of partial claim funds to subsidize a borrower's payment.<sup>2,3</sup>

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<sup>1</sup> The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 390,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,100 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: [www.mba.org](http://www.mba.org).

<sup>2</sup> "Payment Supplement: A Loss Mitigation Option to Provide Payment Relief for FHA Loans in a High Interest Rate Environment": <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-hpc-payment-supplement-fha-home-retention-opt-nov2022.pdf>

<sup>3</sup> The MBA also supports FHA's continued evaluation of a targeted MIP reduction to help borrowers achieve an affordable payment. We believe that FHA should be transparent in its reasoning for not pursuing alternatives in any policy decision. We also believe, and continue to reiterate, that FHA should increase the maximum percentage of partial claim allowed for borrowers impacted by COVID-19 from

Such a change, however, would have major operational ramifications. Additionally, while the proposals we have seen are well-articulated and potentially helpful to borrowers—they are not FHA proposals that would necessarily address key operational and technical issues. We therefore request that FHA post any new loss mitigation policy to the drafting table for a minimum 30-day comment period should FHA decide to pursue additional policymaking needed to address this new rate environment.

We understand that exigencies during the National Emergency may have required different policy issuance timeframes, but any loss mitigation policy changes going forward should provide sufficient time for feedback to be incorporated and technical design questions to be answered.

Providing a transparent mechanism for program participants to analyze and respond to FHA's proposal is appropriate whenever FHA decides to expand the home retention options available for servicers to offer borrowers. The drafting table will ensure that servicers have an opportunity to seek guidance and necessary clarity to update operational processes before any new policy becomes effective, and also provide FHA with helpful feedback before resource intensive implementation begins. Crucial to the analysis is the opportunity to opine on a sufficient timeframe for the industry to design and test changes to processes and technology, including borrower-facing communications, and to train staff to ensure servicers can continue to deliver successful relief to borrowers.

In short, with respect to the partial claim payment subsidy proposal, while the use of buydown programs is not new to the industry, managing partial claim funds over time for borrowers unable to afford their payment is new for servicers.

Accordingly, the industry deserves the opportunity to digest the new policy and understand the potential compliance risks before regulators hold servicers accountable, including through FHA's proposed Servicing Defect Taxonomy. There are also important consumer considerations that should be studied and addressed, such as the population of COVID-impacted borrowers with sufficient partial claim remaining to access a meaningful subsidy, as well as whether smaller payment reductions over the remaining term of the loan (i.e., a permanent modification) would be more effective.

We understand the sense of urgency and support efforts to offer borrowers sustainable solutions in today's high-interest rate environment. Our members understand the challenge and stand ready to offer feedback quickly. Using the drafting table will reduce the risk of unintended consequences, ensure industry consensus, and identify the appropriate implementation timelines, particularly as a matter of future long-term loss mitigation policy beyond the COVID-19 pandemic is at issue.<sup>4</sup>

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25% of the UPB to the standard 30% of the UPB permitted by statute. Borrowers should be able to receive the complete benefit of the partial claim regardless of their reason for hardship.

<sup>4</sup> The MBA also supports an incentivized home retention option. However, we will be able to provide an accurate assessment of the potential costs once FHA submits the new policy to the drafting table and servicers have an opportunity to evaluate the viability and operational complexity of the partial claim buydown program.

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We appreciate your consideration and the continued collaboration with the FHA team. Should you have any questions or concerns, please contact Brendan Kelleher at [Bkelleher@mba.org](mailto:Bkelleher@mba.org) or (202) 557-2779.

Sincerely,

A handwritten signature in black ink, appearing to read "Pete Mills", enclosed in a thin black rectangular border.

Pete Mills  
Senior Vice President  
Mortgage Bankers Association