Congress of the United States
House of Representatives
Washington, DC 20515

April 10, 2020

The Honorable Steven T. Mnuchin
Secretary
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Secretary Mnuchin:

We greatly appreciate your work to help stabilize the U.S. economy and provide assistance to businesses and workers during the COVID-19 pandemic. The actions taken by Treasury to date have been critical and have provided more certainty to our economy which prior to this pandemic was soaring but is currently fragile through no fault of our businesses and job creators.

As you know, the Coronavirus Aid, Relief, and Economic Security (CARES) Act provides any homeowner with a federally-backed mortgage who is experiencing financial hardship, the ability of up to six months of forbearance on their mortgage payments, with a potential ability to extend that forbearance for another six months.

Congress has correctly decided that a nationwide, broad scale forbearance program is needed, but we need to make sure this is done responsibly to avoid unintended consequences and market uncertainty. The mortgage industry cannot shoulder the entire onus of government actions to protect American homeowners impacted by COVID-19 when it does not have access to needed liquidity to execute on those government actions.

Many Americans are facing financial struggles as a result of the COVID-19 pandemic and we are likely to see unprecedented amounts of forbearances as a result of CARES. As you know, residential and commercial mortgage servicers are typically obligated to advance payments of principal, interest, taxes, and insurance on to investors, municipalities, and insurers whether the borrowers make those payments or not. While elevated take-up rates on forbearance may be somewhat more manageable for certain servicers affiliated with banks, which have more diversified lines of business, it is likely that these advancing requirements will be unsustainable for many non-bank mortgage servicers. Even those who may already have access to liquidity will likely have to divert resources from other businesses that provide capital to the American households and businesses in order to cover strains in their servicing businesses. Servicers will eventually be reimbursed for these servicing advances, so this issue represents a liquidity concern for otherwise solvent entities in the chain of payments as well.

Like the Financial Oversight Stability Council (FSOC), Congress has considered and recognized a need to have vibrant oversight and risk-mitigation tools to ensure adequate capital and risk management across the mortgage market. However, the unforeseeable nature of the present liquidity strain on the mortgage market, similar to many other sectors of our economy, is of a systemic nature, including the inability of the servicing industry to manage billions of dollars in principal and interest advances mandated by regulators and Congress – which could result in significant disruption to servicing touchpoint for consumers and, importantly, less competition in this space as servicers go bankrupt. When struggling homeowners and renters are able to return to their jobs and resume making the payments they intended to make, it may become appropriate to talk about larger structural reforms to better handle events like this in the future. However, the current priority must be this liquidity crunch.

The CARES Act provided substantial funds through which the Federal Reserve and Treasury can provide liquidity to heavily impacted segments of the economy. Those funds would be put to a very beneficial and appropriate use by supporting forbearance for all borrowers.

As we all learned from the past crisis, the best way to protect the American taxpayer would be to create a facility now – in hope that it never needs to be used – than to wait for a market disruption when it may be too late. The mere creation of such a facility may provide a level of support to the market without its even being utilized.

We appreciate your work to stabilize the American economy and our housing finance system during this crisis and we look forward to continuing to work to protect hardworking homeowners during the COVID-19 pandemic.

Sincerely,

Lee Zeldin
Member of Congress

Steve Stivers
Member of Congress

Ann Wagner
Member of Congress

French Hill
Member of Congress

Bill Huizenga
Member of Congress

Scott Tipton
Member of Congress

Van Taylor
Member of Congress

Roger Williams
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Denver Riggleman
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Andy Barr
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