

October 30, 2017

The Honorable Ben Carson

Secretary of the U.S. Department of Housing and
Urban Development
451 7th Street SW
Washington, DC 20410

The Honorable David Shulkin

Secretary of the U.S. Department of Veterans
Affairs
810 Vermont Avenue NW
Washington DC 20420

The Honorable Sonny Perdue

Secretary of the U.S. Department of Agriculture
1400 Independence Ave., SW
Washington, DC 20250

The Honorable Mel Watt

Director of the Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20219

The Honorable Richard Cordray

Director of the Consumer Financial Protection
Bureau
1625 Eye St. NW
Washington, DC 20006

The Honorable Michael Bright

Acting President of Ginnie Mae
425 3rd St SW
Washington, DC 20024

RE: Mortgage relief options for homeowners living in areas affected by natural disasters

Dear Secretary Carson, Secretary Shulkin, Secretary Perdue, Director Watt, Director Cordray, and Acting President Bright:

The undersigned organizations are writing to ask for your leadership to prevent further devastation in the communities that were hard hit by Hurricanes Harvey, Irma, and Maria and the recent wildfires in California. You can prevent mortgage defaults and losses for the government sponsored enterprises, government insurance funds and investors by establishing strong mortgage relief options for homeowners living in these communities.

The mortgage relief options, and the insurance proceeds available to homeowners living in these communities, will help to determine whether they can afford to stay in their homes. Today the options available to homeowners in disaster areas vary significantly depending on who owns, insures or services their mortgage. For example, some homeowners may be offered a mortgage forbearance period while others may not. Some homeowners receive insurance money immediately while many others must wait until they hire a contractor to rebuild their home, which can take months or years.

The options available to homeowners affected by natural disasters should be strengthened, and should be available to all homeowners, regardless of who owns, insures or services their mortgage.

The Federal Housing Finance Agency, Federal Housing Administration, U.S. Department of Veterans Affairs, the U.S. Department of Agriculture and the Consumer Financial Protection Bureau should take steps to improve and align the mortgage relief options available to homeowners recovering from a natural disaster. In this letter, we share recommendations that draw on lessons learned from the recoveries after Superstorm Sandy and Hurricane Katrina.

Disaster relief forbearance: Allow affected homeowners to hit pause on their mortgage

Homeowners affected by Hurricanes Harvey, Irma, and Maria, as well as residents of any additional federally-declared disaster areas should be able to hit pause on their mortgage payments while they are responding to the emergency and assessing their financial situation. The current relief options should be improved so that homeowners do not have to worry about their mortgage balances growing significantly while they are putting their lives back together. Below are recommended terms for a disaster relief forbearance that should be offered by all servicers.

- Automatic 90-day forbearance for all homeowners living in an area affected by a disaster, regardless of whether the servicer has successfully made contact with the borrower.
- Clear eligibility for extensions of forbearance of up to 12 months.
- Homeowners experiencing extreme hardship, including those who are displaced while rebuilding or who are living in very hard-hit communities, should be eligible for up to a 24-month forbearance based on clear guidelines.

Homeowners shouldn't be penalized for needing help in the wake of a disaster

- During the forbearance period, no mortgage payment should come due and no additional interest charges should accrue. At the end of the forbearance, the term of the loan should be extended by the duration of the forbearance period to allow homeowners to repay the mortgage principal and interest they skipped.
- Homeowners should be given 12 months to repay any outstanding escrow balance that accrued during forbearance and if they cannot afford to pay during that time frame, they should be evaluated for a loan modification.
- No late fees should accrue during the entire forbearance period.
- A homeowner's credit score should not suffer as a result of a forbearance.
- In addition to the existing automatic foreclosure and eviction moratorium of 3 months for foreclosures already in process, extensions should be available when a homeowner has expressed an intention to return and is working with the servicer on loss mitigation.
- Property inspections should be part of a uniform process and, where possible, should be performed within the first three months. Servicer attempts to make borrower contact should continue during the entire period of forbearance.

Disbursement of insurance proceeds: Homeowners need immediate resources to stabilize their homes

After a disaster, homeowners often need funds to perform basic emergency repairs, including stabilizing their homes in the short term to prevent further damage long before they begin rebuilding.

Homeowners who can complete basic repairs quickly can also shelter in place, saving government costs for temporary shelter. Too often, however, homeowners are unable to convince their mortgage servicer to release the insurance funds they need directly to the homeowner to complete these basic repairs, including boarding up their homes, restoring heat and hot water, and clearing out moldy dry wall. Homeowners cannot get their recovery started, and disaster-related damage worsens, when servicers refuse to release any insurance funds up front made payable only to the homeowner (and not the contractor).

The agencies can ensure homeowners have access to their insurance proceeds by providing servicers with additional guidance.

- Mortgage servicers should be instructed to release up to \$10k up-front made payable only to homeowners and to release the balance of the funds as homeowners rebuild.
- Contract language and servicer duties should be clarified to ensure that insurance disbursements can be applied to: Rebuilding that includes property stabilization, including mold remediation and repair to the building envelope; construction of a new structure where demolition has occurred; repair and rebuilding where the proceeds independently can cover the cost or where the proceeds are reasonably anticipated to be supplemented by assistance from FEMA, Community Development Block Grant-Disaster Recovery, or other funds that together would fully cover repair and rebuilding costs.

Media outreach, written materials and spoken communication should be available in languages prevalent in affected areas with significant LEP populations

Materials and communications about relief options should be made available to homeowners in their preferred language. The areas affected by Hurricanes Harvey, Irma and Maria are home to many residents with limited English proficiency (LEP), including nearly 1 million in Houston, Texas, approaching 1.5 million in Miami, Florida, and 2.8 million in Puerto Rico.¹ In Miami-Dade County, the most commonly spoken languages by the LEP population include Spanish, French Creole, and Chinese. In Harris County, Texas, the most commonly spoken languages by the LEP population are Spanish, Vietnamese, and Chinese.² While most LEP homeowners in Puerto Rico speak Spanish, some also speak Arabic or Chinese.³

For relief efforts to be successful, the agencies should advise mortgage servicers to have a plan for communicating with homeowners with limited English proficiency.

- Mortgage servicers should identify the prevalent languages spoken by the LEP population in their service area, and prepare outreach materials in those languages.
- Mortgage servicers should reach out to affected homeowners through cultural and ethnically relevant media sources and community-based organizations that provide consumer-facing services (including but not limited to housing counseling, fair housing and legal advocacy organizations with bi-lingual staff capacity).
- When drafting written communication mailed to affected homeowners, mortgage servicers should include with the communication versions translated into Spanish and other relevant languages.
- Oral interpretation should be made available to LEP borrowers in the affected areas in the predominant LEP languages in those regions so that homeowners can communicate directly with servicer personnel about foreclosure, forbearance, and loss mitigation options.

¹ Monica Whatley, "Limited English Proficient Population of the United States," Migration Policy Institute, 2013 available at <https://www.migrationpolicy.org/article/limited-english-proficient-population-united-states-0>.

² Department of Justice Civil Rights Division, 2014 Language Map App, available at https://www.lep.gov/maps/lma2014/Final_508/.

³ *Ibid.*

Post-forbearance period: Options for homeowners who need longer-term assistance

Some homeowners will need additional options beyond forbearance to remain current on their mortgage payment. The agencies should aim to have such review occur prior to the end of forbearance.

- Homeowners should receive notice before the forbearance period ends and be given the opportunity to arrange for repayment or apply for a longer-term loan modification if they still need assistance before accruing significant delinquency after the forbearance ends.
- Whether homeowners are eligible for a disaster relief modification or repayment plan, or where streamlined modification options, such as Flex Mod, are available, servicers should complete reviews and make offers at the end of the forbearance period, contingent upon provision of a hardship affidavit from the homeowner where applicable. Homeowners should have the option of providing additional income information to supplement such evaluations.
- A homeowner's credit should not suffer as a result of a loan modification.

Thank you for your work to ensure homeowners receive fair relief options and for your consideration of our recommendations.

Sincerely,

Americans for Financial Reform

Center for American Progress

Center for New York City Neighborhoods

Center for Responsible Lending

Consumer Action

Empire Justice Center

Jacksonville Area Legal Aid, Inc.

The Leadership Conference on Civil and Human Rights

National Community Reinvestment Coalition

National Community Stabilization Trust

National Consumer Law Center, on behalf of its low-income clients

National Fair Housing Alliance

National Housing Resource Center

National Low Income Housing Coalition

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