

Navigating a Changing Housing Market with Smart Servicing

June 2020

Today's speakers



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**We're Here to
Help You,
Help Your
Borrowers**



**By Providing the
Big Picture and
Actionable
Solutions**

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Agenda

01

Current housing market

02

**Perspective on the
future housing market**

03

**Supporting today and
tomorrow's
homeowners**

04

**Critical resources in
challenging times**

05

Your questions, answered

01 | Current Housing Market

The Great Lockdown

Overview



Economy in Lockdown

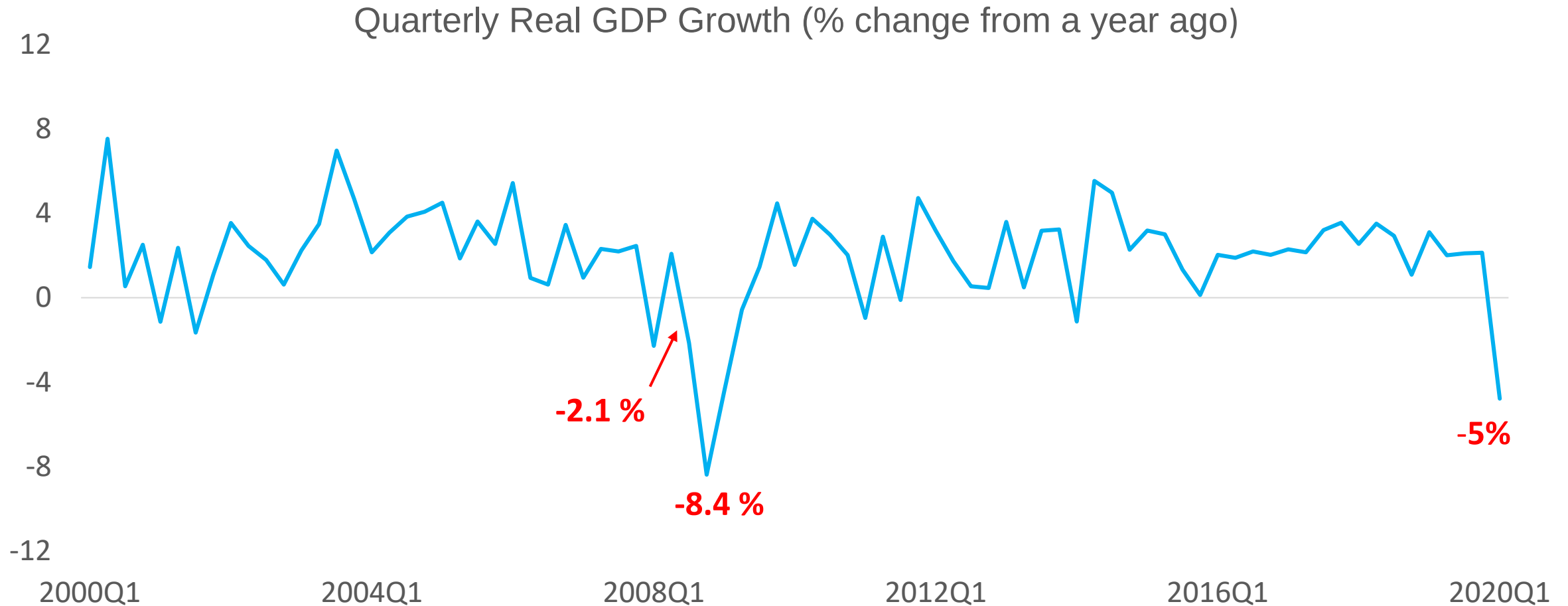
- The longest economic expansion in U.S. history ends
- Unemployment rate spikes as jobless claims rise



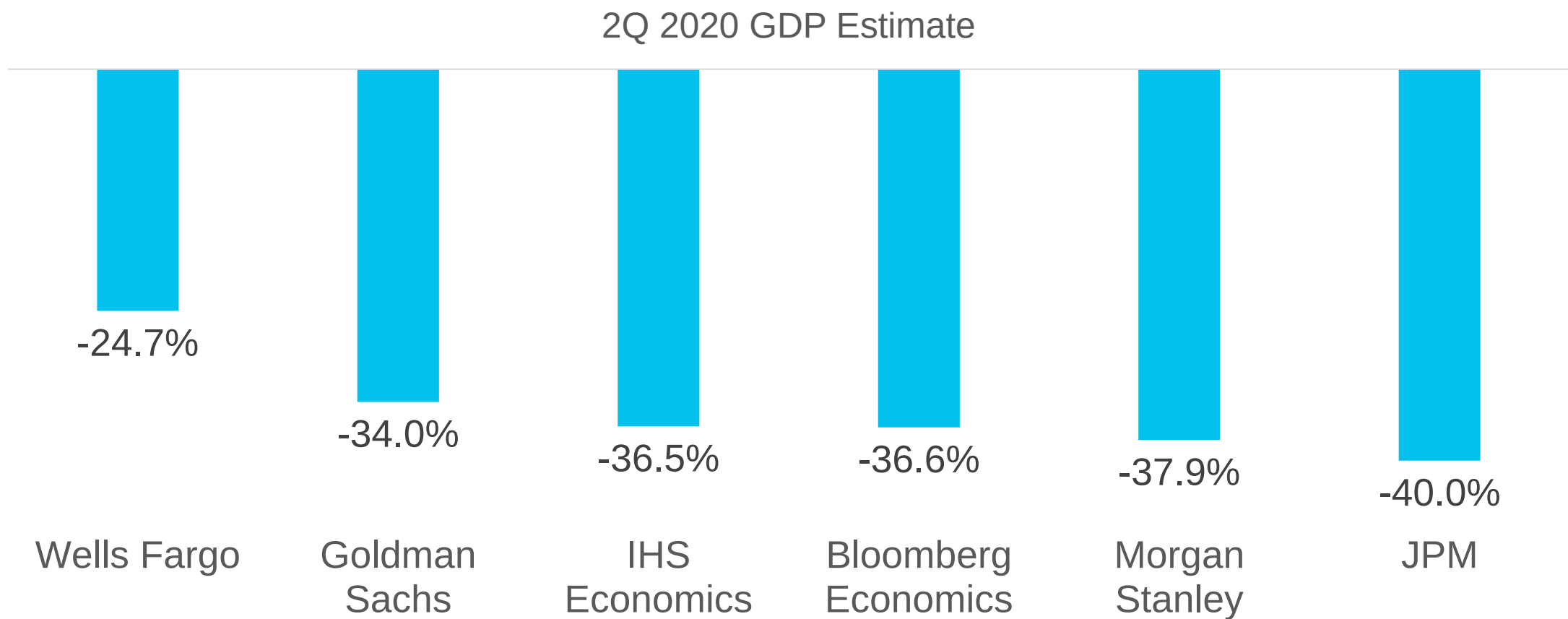
Housing Response

- Housing market weakens; but gaining some momentum lately
- House prices supported by low for-sale inventory and high pent-up demand

The longest economic expansion comes to an end



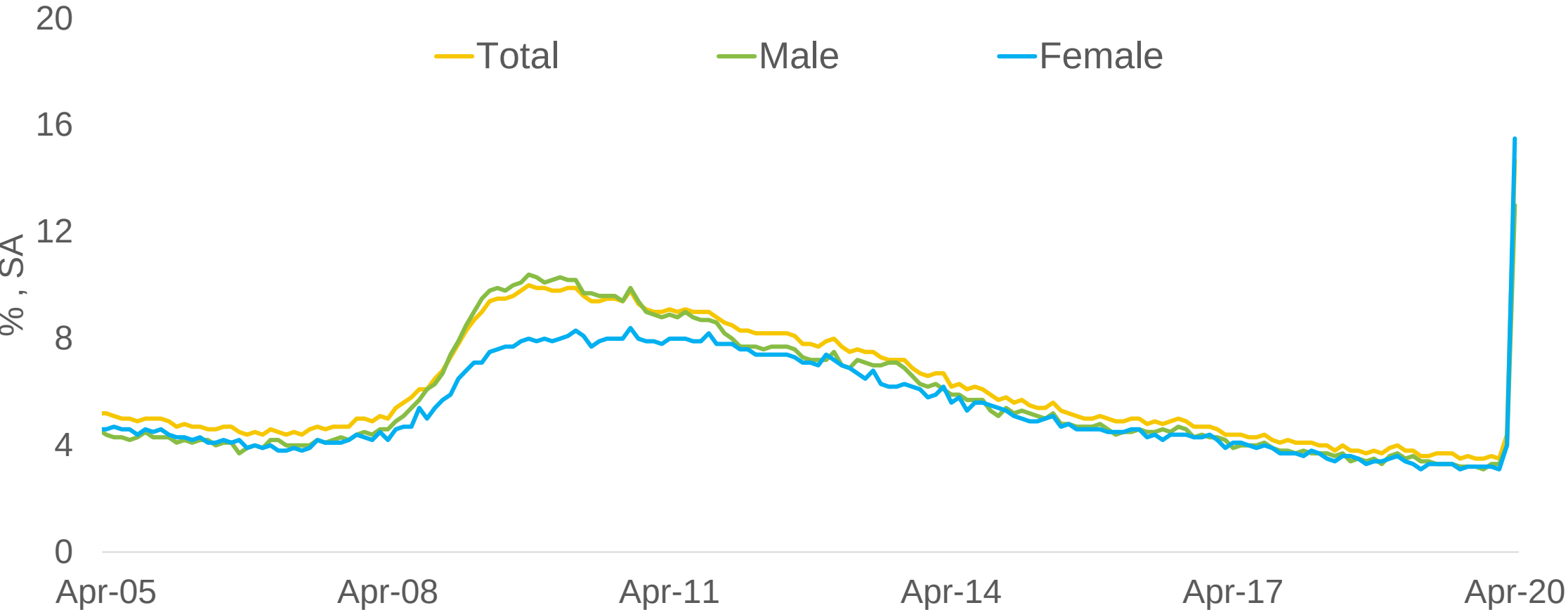
Q2 2020 GDP expected to drop by at least 25%



Growth expressed as Seasonally Adjusted Annual Rate
Source: WSJ (May 2020); Bloomberg (5/15), Goldman Sachs (4/10), IHS (5/15), JP Morgan (5/15), Morgan Stanley (4/3), Wells Fargo (5/15)



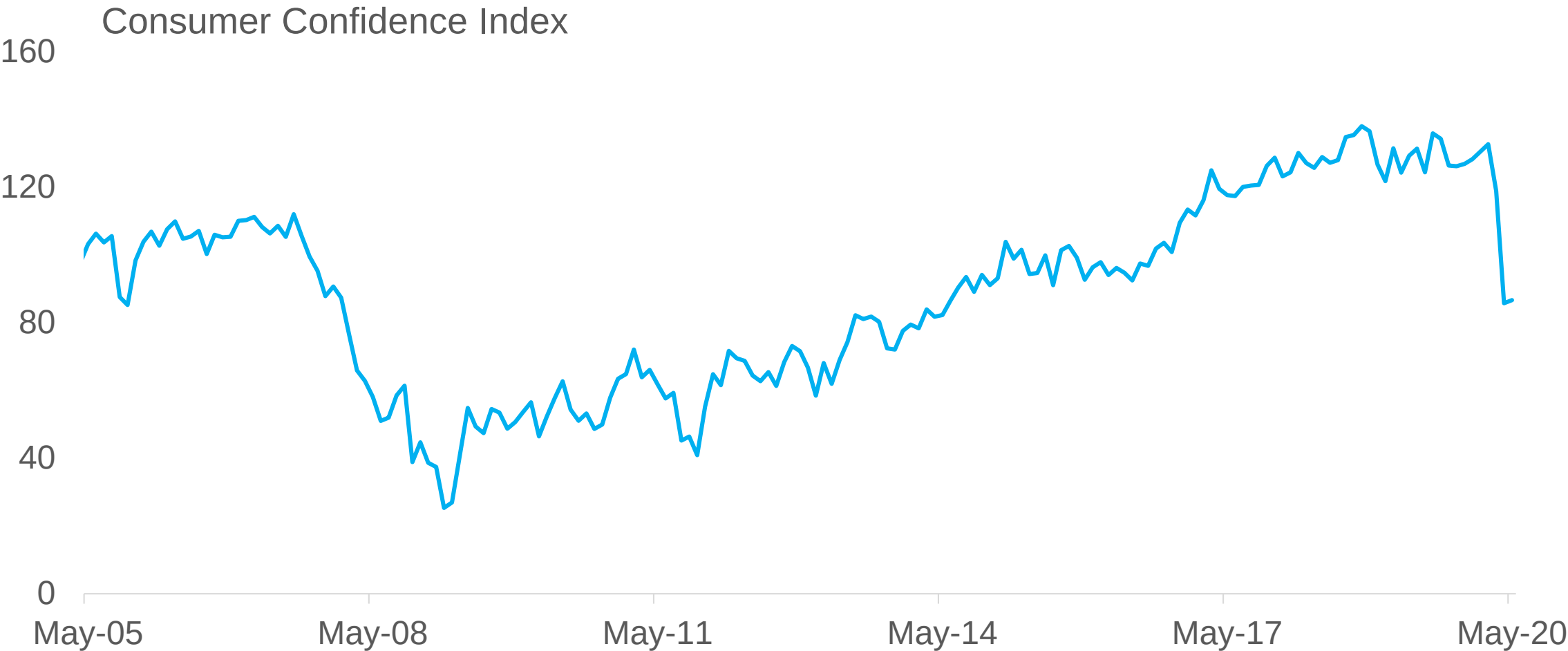
Unemployment already exceeds Great Recession's



Source: Bureau of Labor Statistics



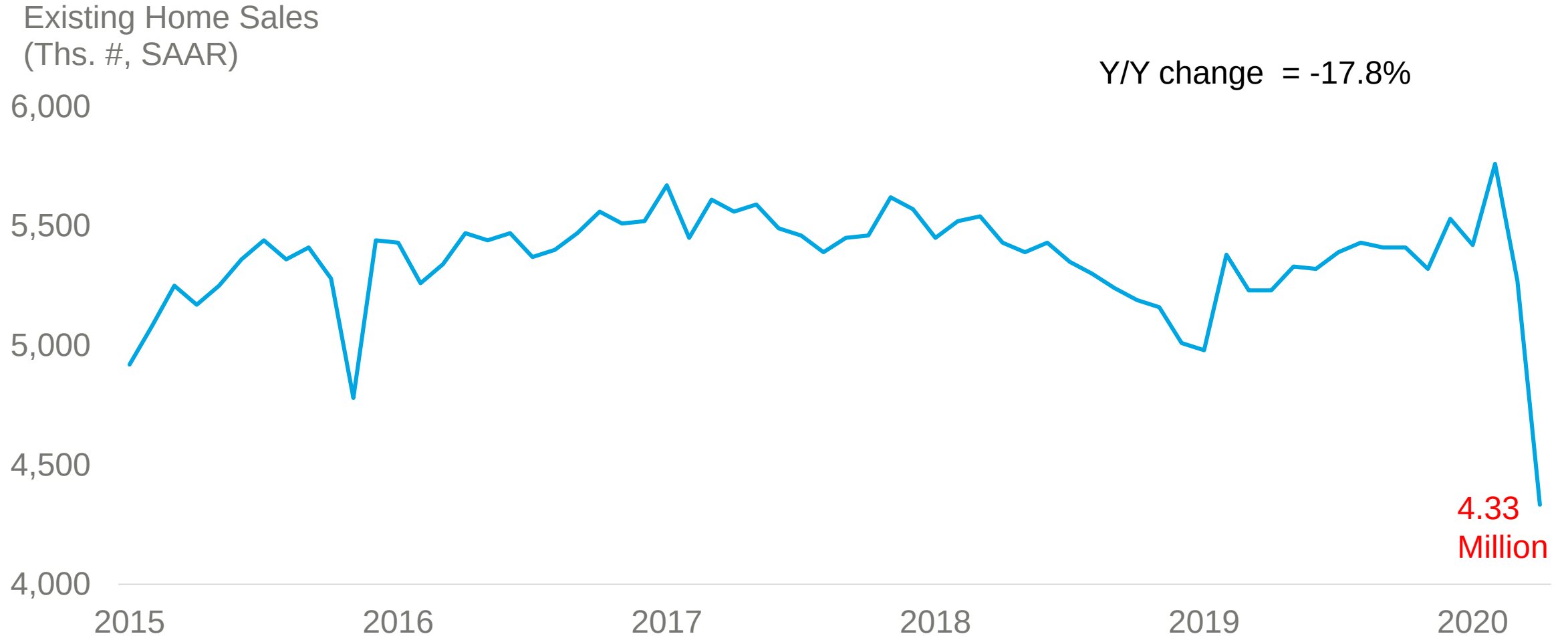
Consumer confidence suffers record decline



Source: Conference Board



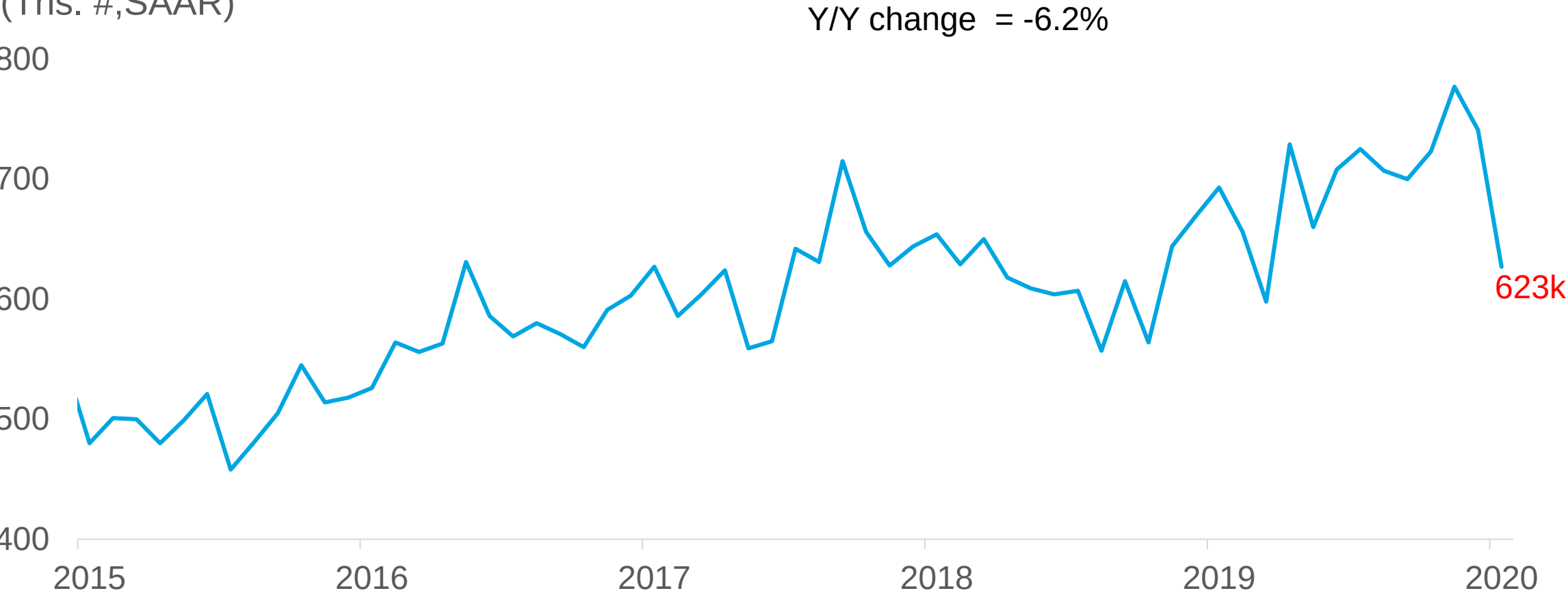
Existing home sales fall the most since 2010



Source: National Association of Realtors (NAR)

New home sales down the most in seven years

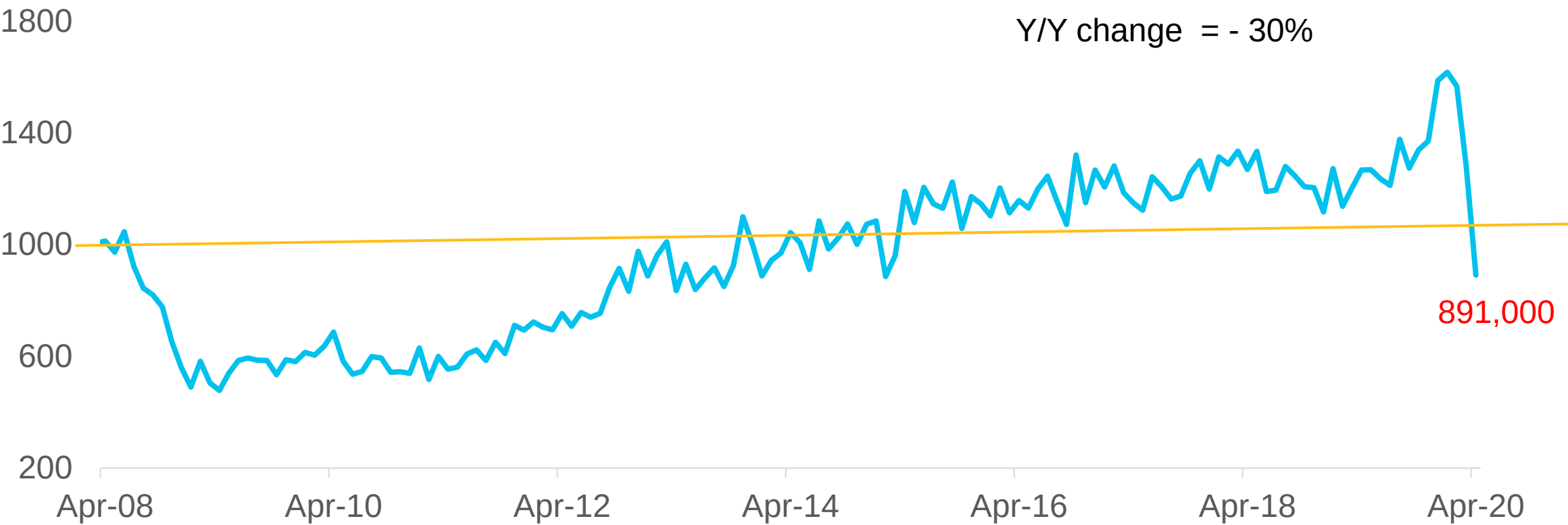
New Home Sales
(Ths. #,SAAR)



Source: National Association of Realtors (NAR)

Housing starts show sluggish construction pace

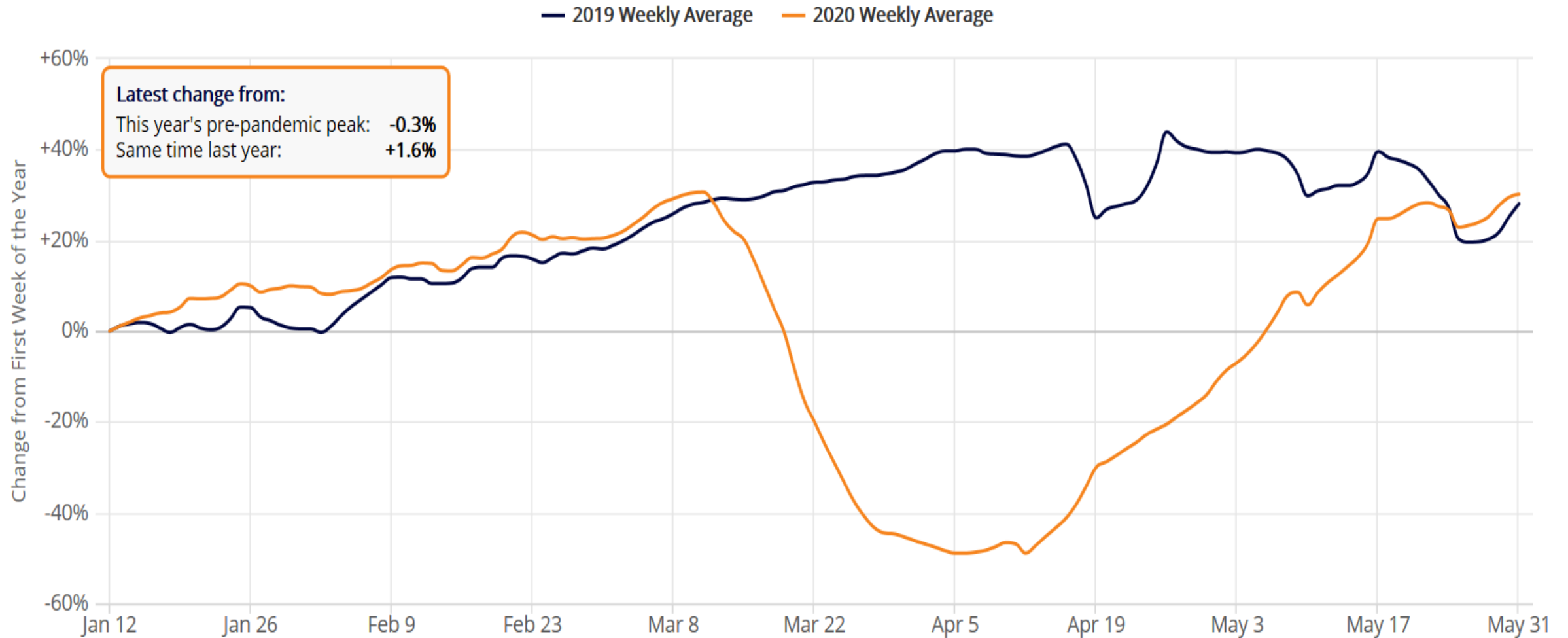
Housing starts: Total privately owned (Ths. #, SAAR)



Source: US Census Bureau



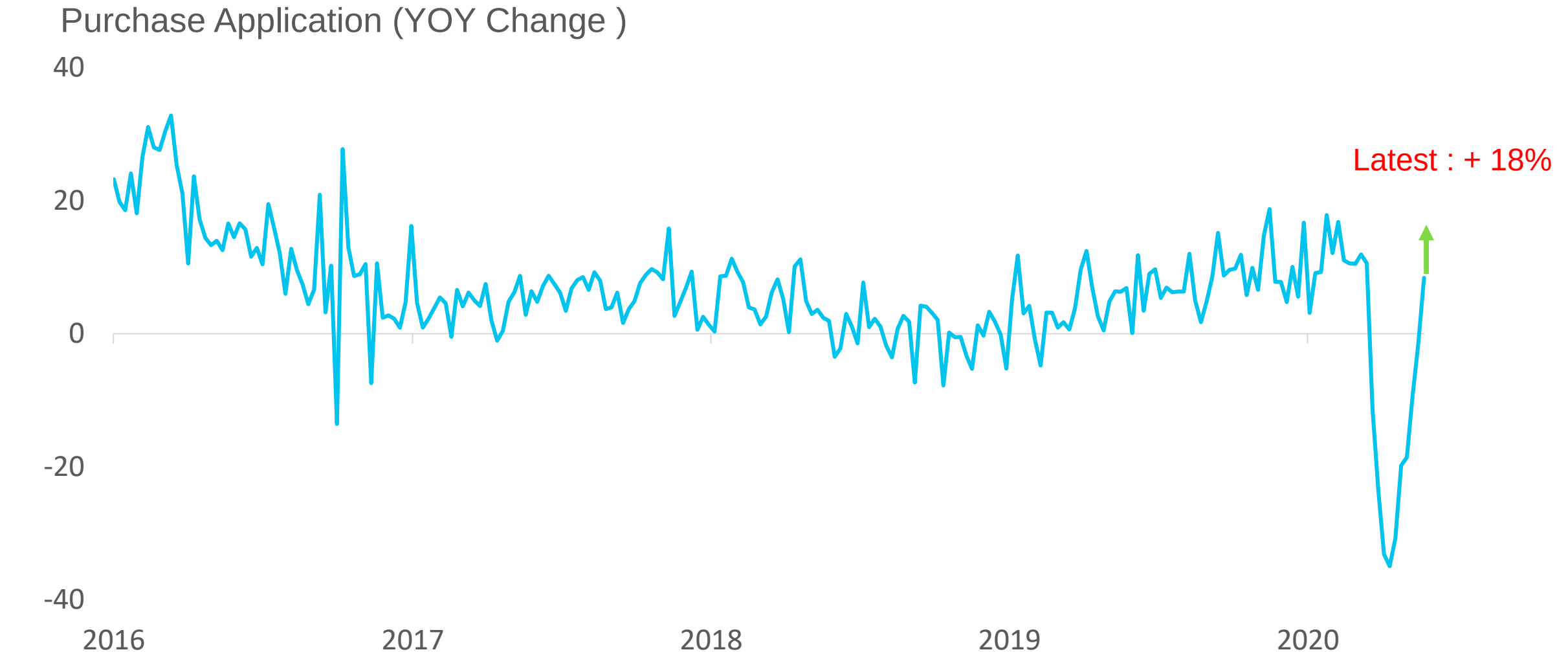
Weekly data reflects rebound in housing activity



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Source : Showing Time

Purchase applications show fast recovery

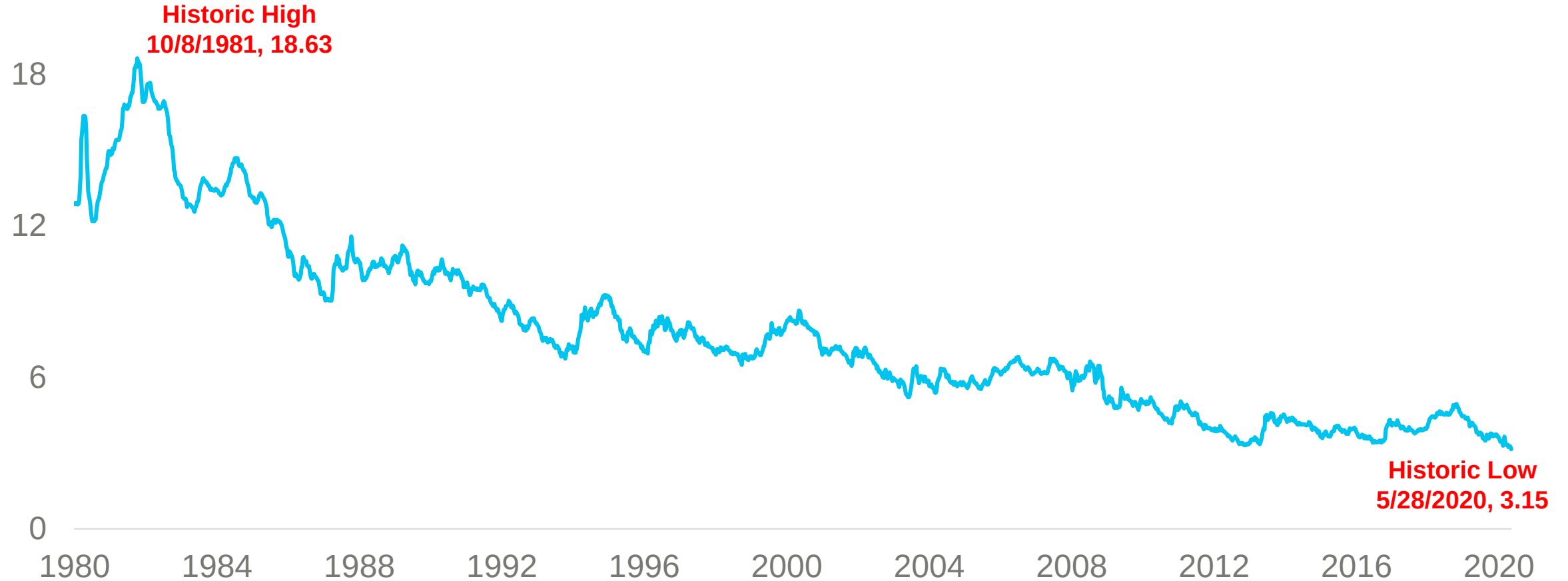


Source: Mortgage Bankers Association

Mortgage rates fall to new record lows

Freddie Mac Primary Mortgage Market Survey®

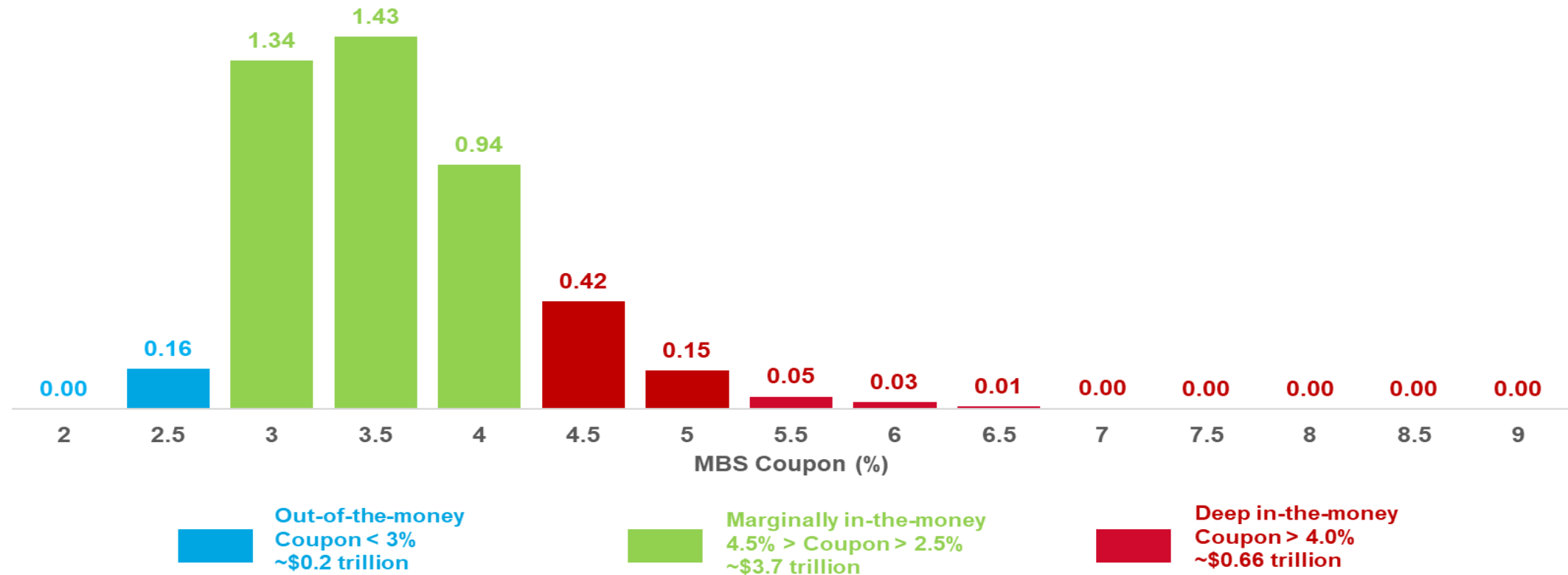
30-year FRM (%), U.S. Weekly Average through 5/28/2020



Source: Freddie Mac

Low rates increase refinance potential

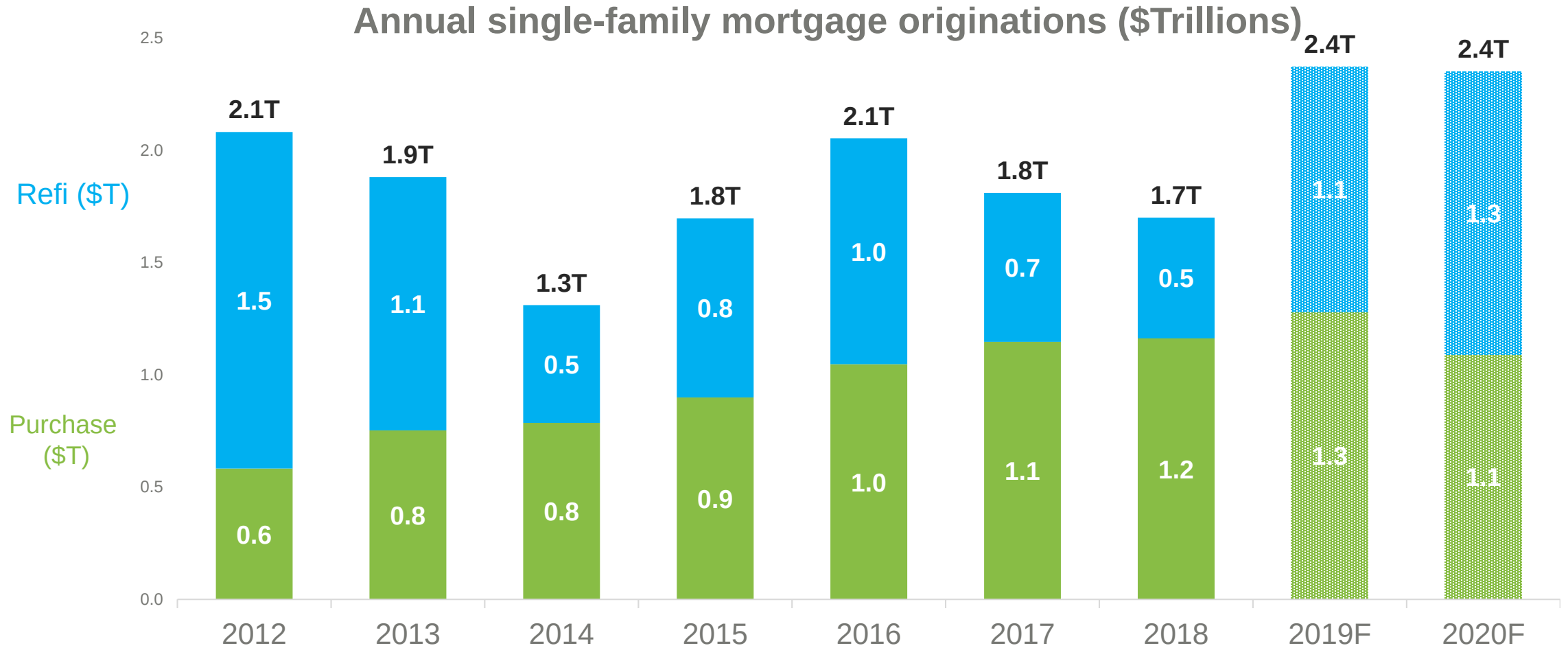
Outstanding 30-year Conforming Balance by Coupon (\$ trillions)



Source: Bloomberg as of March 6, 2020

Conforming includes Freddie Mac, Fannie Mae, Ginnie Mae 30-year fixed MBS Outstanding (UMBS, GNMA1, GNMA 2)

2020 originations to remain unaffected



02 | Perspective on the Future Housing Market

The Forecasts

Overview



What Will the Recovery Look Like?

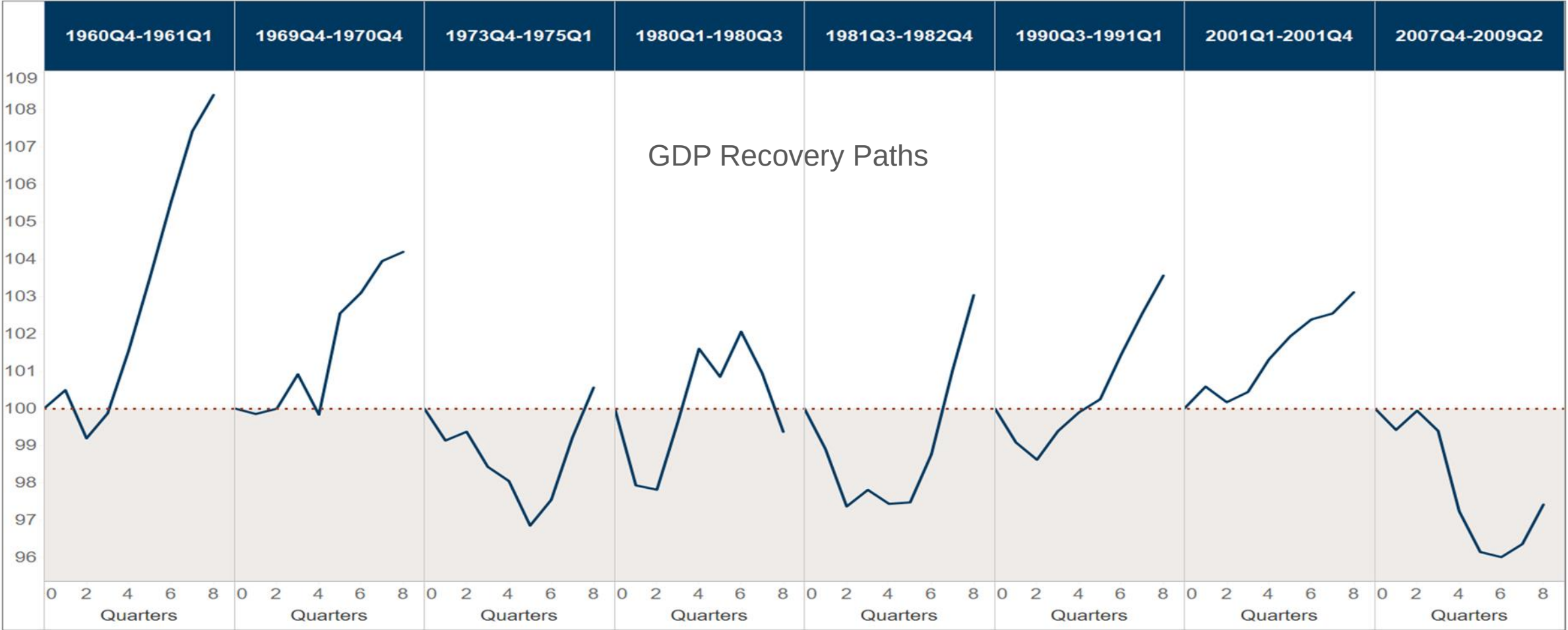
- A quick bounce back in economic growth is hard to imagine
- Housing has potential for a quick rebound



Other Emerging Risks

- Risk of deflation?
- Devastating toll on workforce could significantly increase mortgage delinquencies

What will the recovery look like?



Note: Horizontal Axis corresponds to quarters with 0 being the quarter in which the recession starts
Data indexed to 100 – 100 being the value at the start of the recession. Source : BEA

Several factors will determine recovery

Effectiveness of Virus Containment

- States opening in phases
- Vaccines look promising

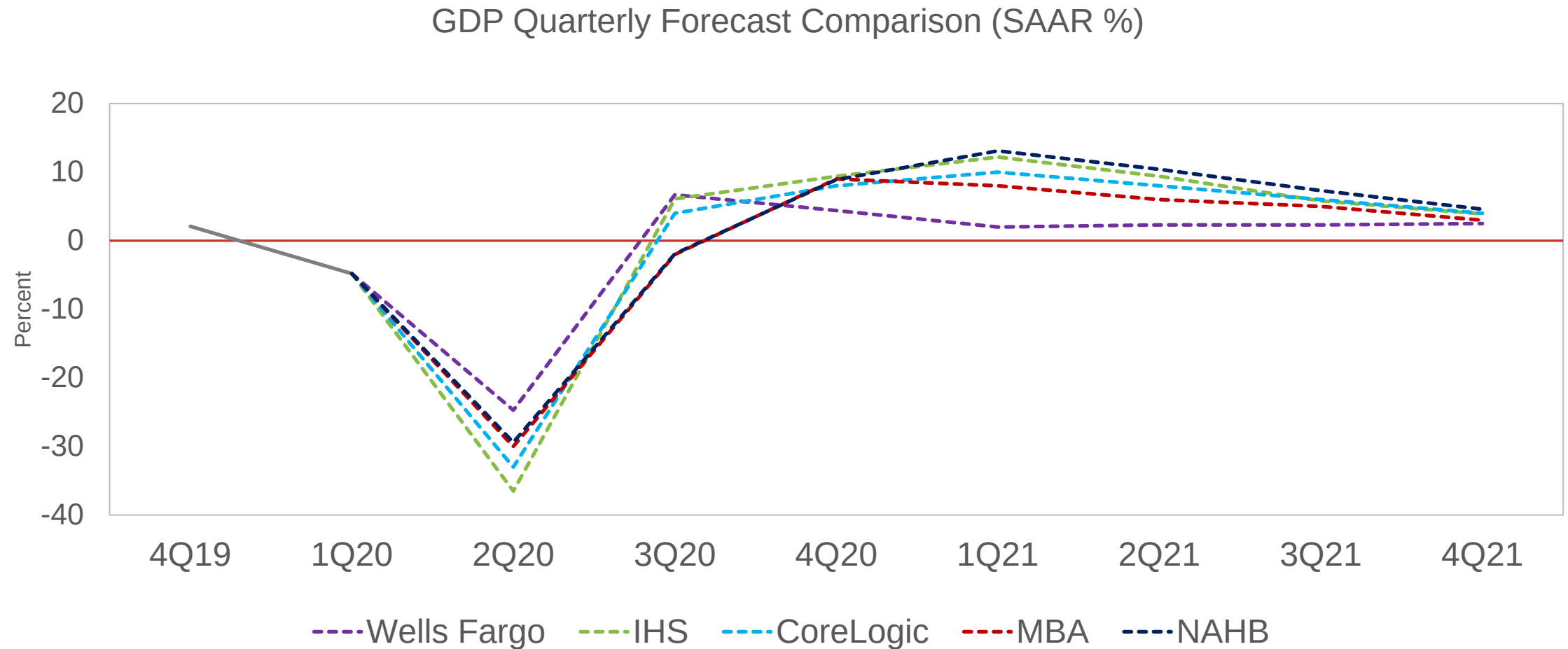
Policy Response

- 2.2 Trillion in CARES Act
 - Households (Stimulus checks)
 - Businesses (Paycheck Protection Program)
 - Financial market (MBS, interest rates)

Mortgage Industry Support

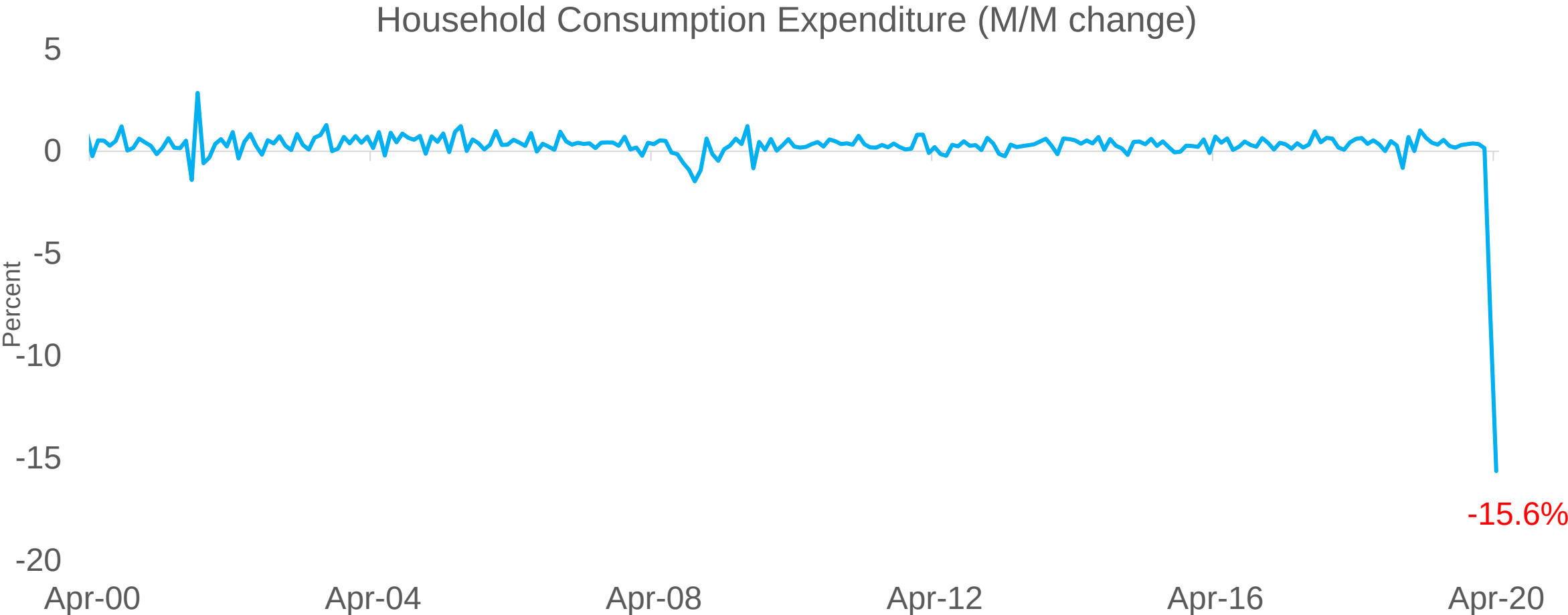
- Forbearance plans
 - No lump sum payment needed
 - Period extended

No firm consensus on the recovery path



Source: WSJ Economic Survey May 2020

Slump in consumption will halt quick recovery

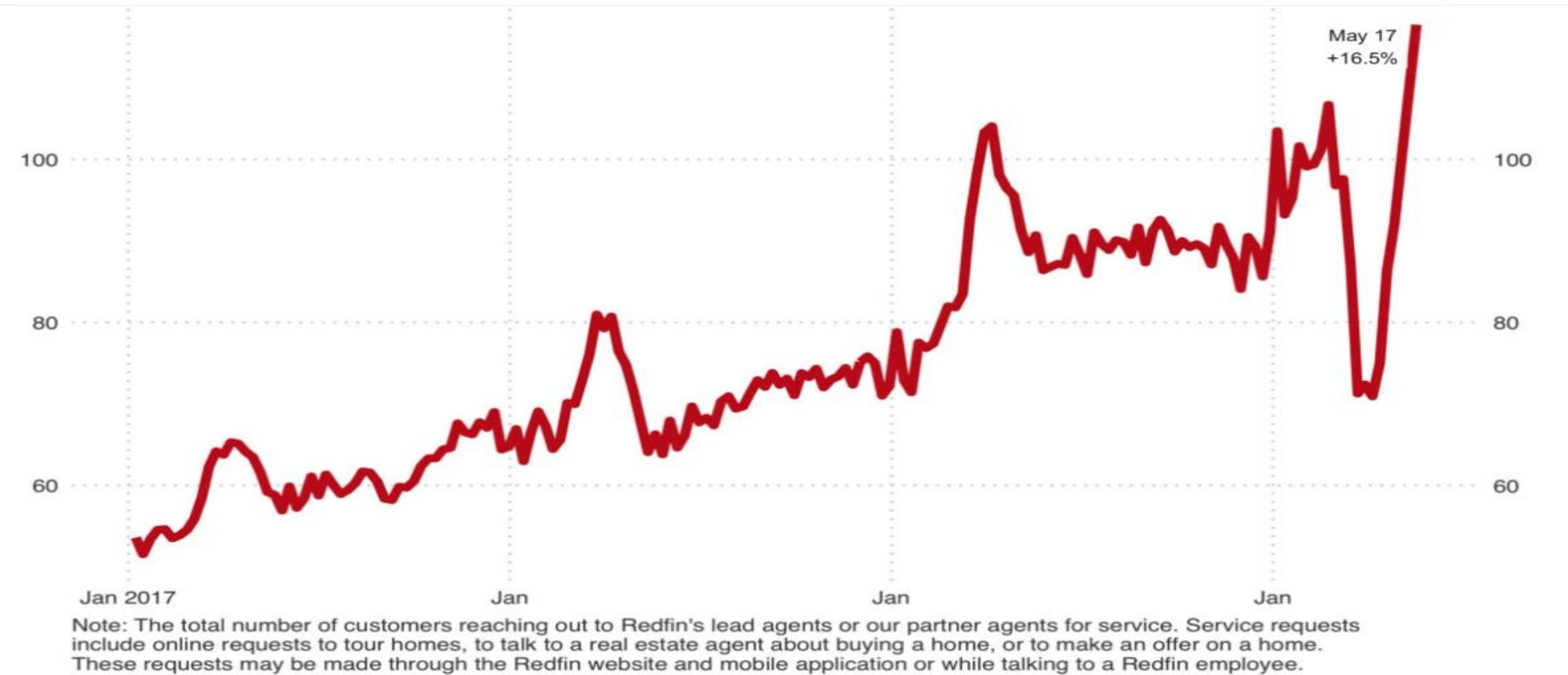


Source: Bureau of Economic Analysis : NIPA Table



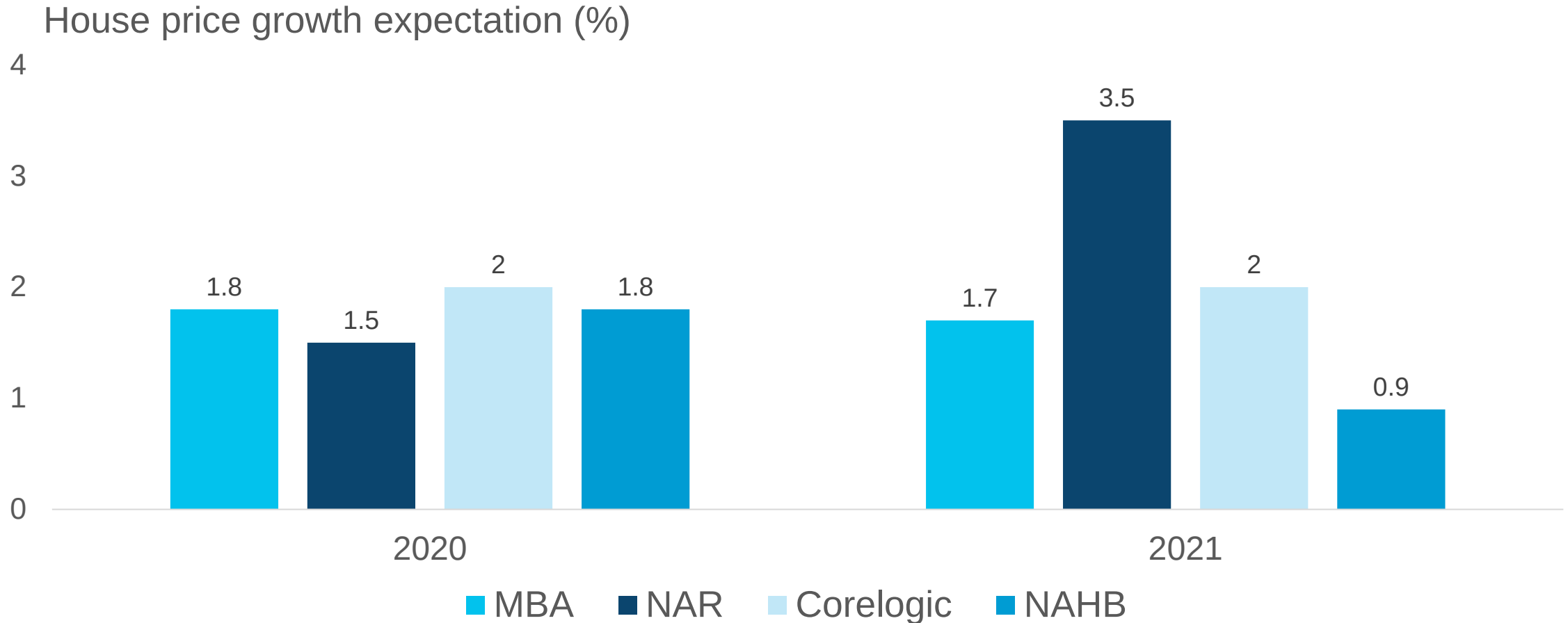
Housing market exhibits quick rebound

Homebuyer Demand Index (seasonally adjusted)



Source: Redfin

Home prices expected to stay positive

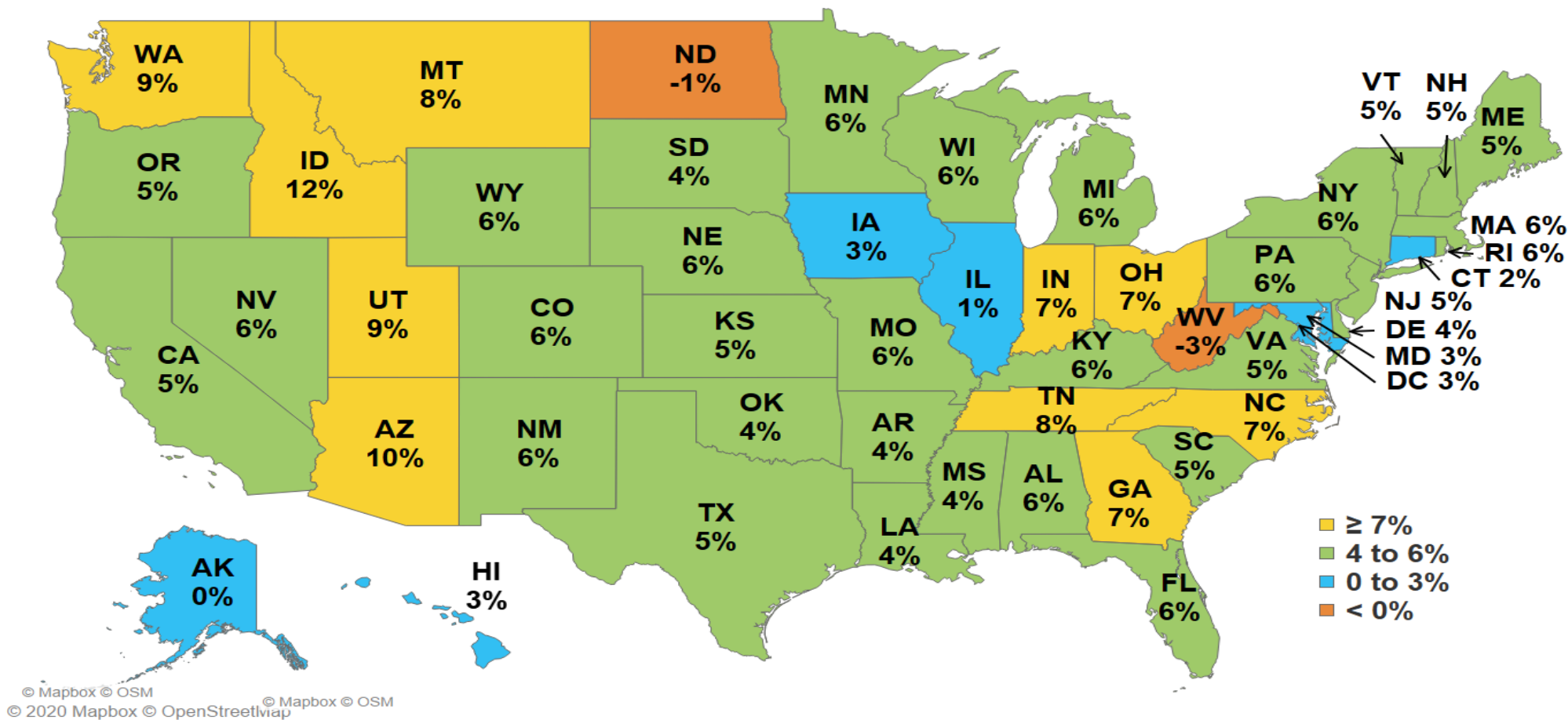


Source: WSJ Economic Survey May 2020

Note: FHFA Purchase only index tracked

Home prices continued to rise during the pandemic

Year-Over-Year Growth in April 2020 **United States: 5.8%**



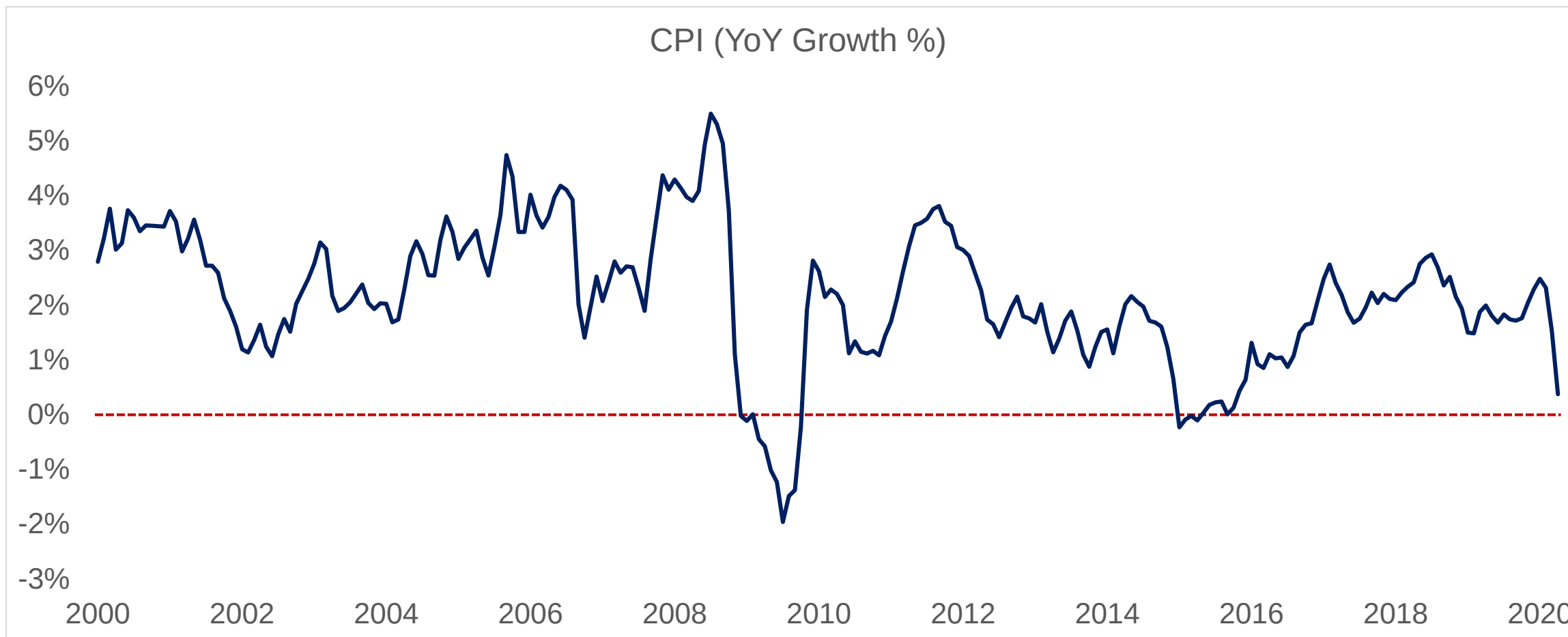
What do you think will happen to home prices?

A. Rise

B. Fall

C. Stay the same

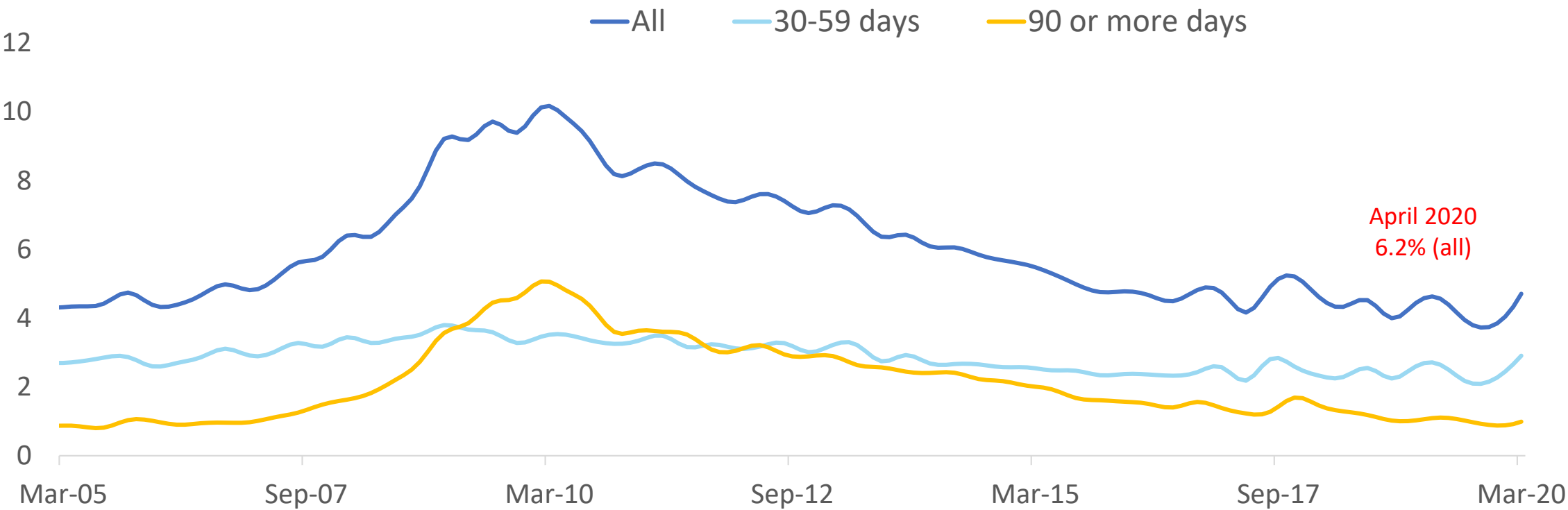
Is deflation an emerging risk?



Source: BLS; FRED data

What about delinquencies?

Delinquency Rates
as % of loan serviced



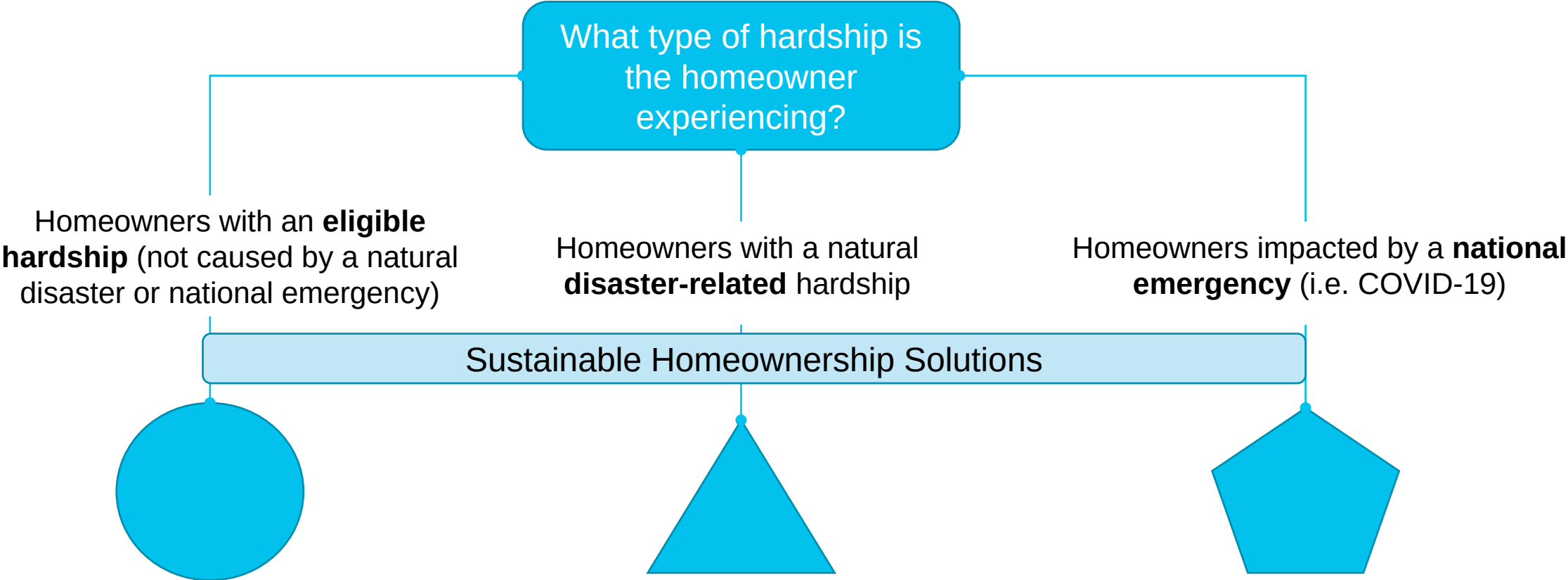
Source: MBA



03 | Supporting Today and Tomorrow's Homeowners –

Maximize Your Loss Mitigation Toolkit

Mortgage assistance: One size does not fit all



Best practice: Prep the borrower with education

Build **trust** and have more effective and meaningful discussions with homeowners by sharing this interactive guide to sustainable homeownership.

Available in English and Spanish. [Share with homeowners](#).



#HelpStartsHere

SUSTAINING HOMEOWNERSHIP IN A CRISIS:

An Interactive Guide for Homeowners



During uncertain times and financial hardship, understanding the options available to sustain homeownership is vital to making proactive, informed decisions. Learn about the resources and solutions available as well as their short and long-term impact on your finances. Help starts here – with Freddie Mac.

SUPPORT

HELP STARTS HERE

Loss mitigation toolkit

• A new loan	Refinance	
• Mortgage relief	Forbearance	Available July 1 for evaluations
	Reinstatement Repayment Payment Deferral	COVID-19 Payment Deferral
• Changing the mortgage terms	Disaster relief modifications	
• Mortgage payment reduction	Flex Modification	
• Exiting the home	Standard Short Sale Standard Deed-in-lieu	



The evaluation hierarchy changes depending on hardship type (i.e.. disaster related; COVID-19 related)

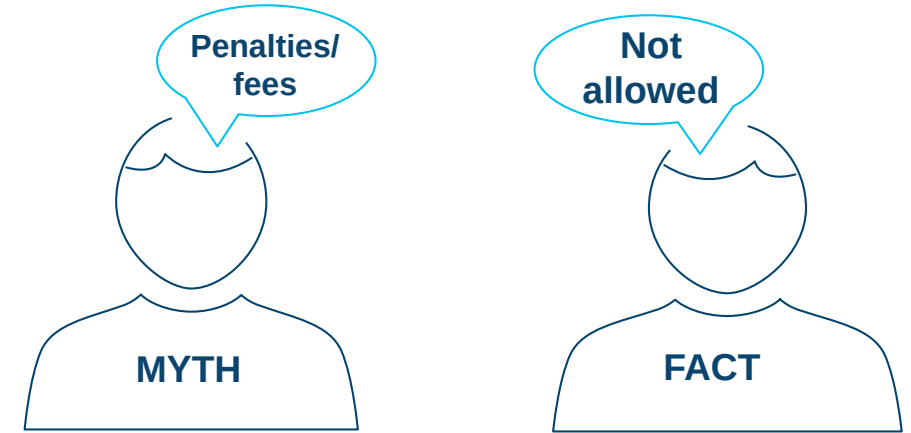
Forbearance

Standard

Reduced or no monthly payments for a specified period of time

Highlights

- Forbearance not to exceed a 12-month delinquency
- QRPC with the borrower
- Borrower must have an eligible temporary hardship
- Agreement in writing and sent to the borrower
- Servicer must discuss transition options with the borrower



Key differences for COVID-19 related hardships

- Borrower must have a COVID-19 related hardship
- Servicer should attempt QRPC but must comply with applicable law
- Delinquency may exceed 12 months
- Reporting default codes and hardship reason
- Credit reporting impacts

Best practice: Post-forbearance activities

Understand the activities required during and post-forbearance such as

- Reporting
- Cashflow (reimbursed advances)
- Borrower outreach
- Evaluation hierarchy

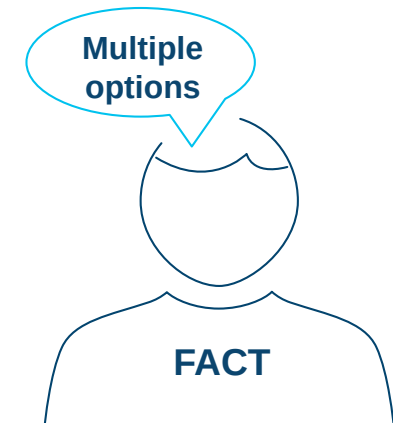
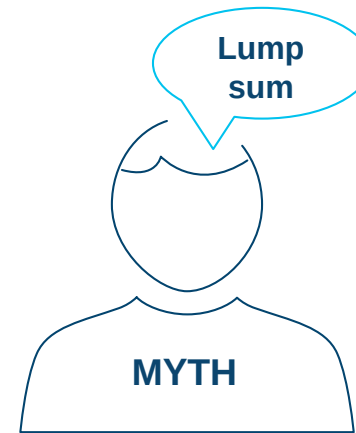
View the [job aid](#).



Reinstatement & Repayment Plan

Standard

- A lump sum payment (reinstatement) or,
- Missed payments spread out and added to the existing monthly mortgage payment for a period of time (repayment plan)



Payment Deferral solutions

A relief option where the borrower will be brought current by deferring delinquent P&I, creating a non-interest-bearing forborne balance that will become due at the earlier of the mortgage maturity date, payoff date, or upon transfer or sale of the mortgaged premises

Standard Payment Deferral

- Borrower resolved hardship
- Up to two months of deferred delinquent P&I
- Requires a “rolling delinquency
- Mandatory effective date is January 1, 2021

COVID-19 Payment Deferral

- COVID-19 related hardship
- Payment deferral can be up to 12 months
- Certain advances may be deferred
- Reduced eligibility criteria
- Mandatory effective date is July 1, 2020

Flex Modification

Standard

- The Flex Modification program is intended for borrowers who are unable to resume making their pre-forbearance payment and have not resolved their hardship
- Payment reduction by capitalizing arrearages, extending the term and potentially lowering the interest rate
- May include a non-interest bearing balance

Key differences for COVID-19 related hardships

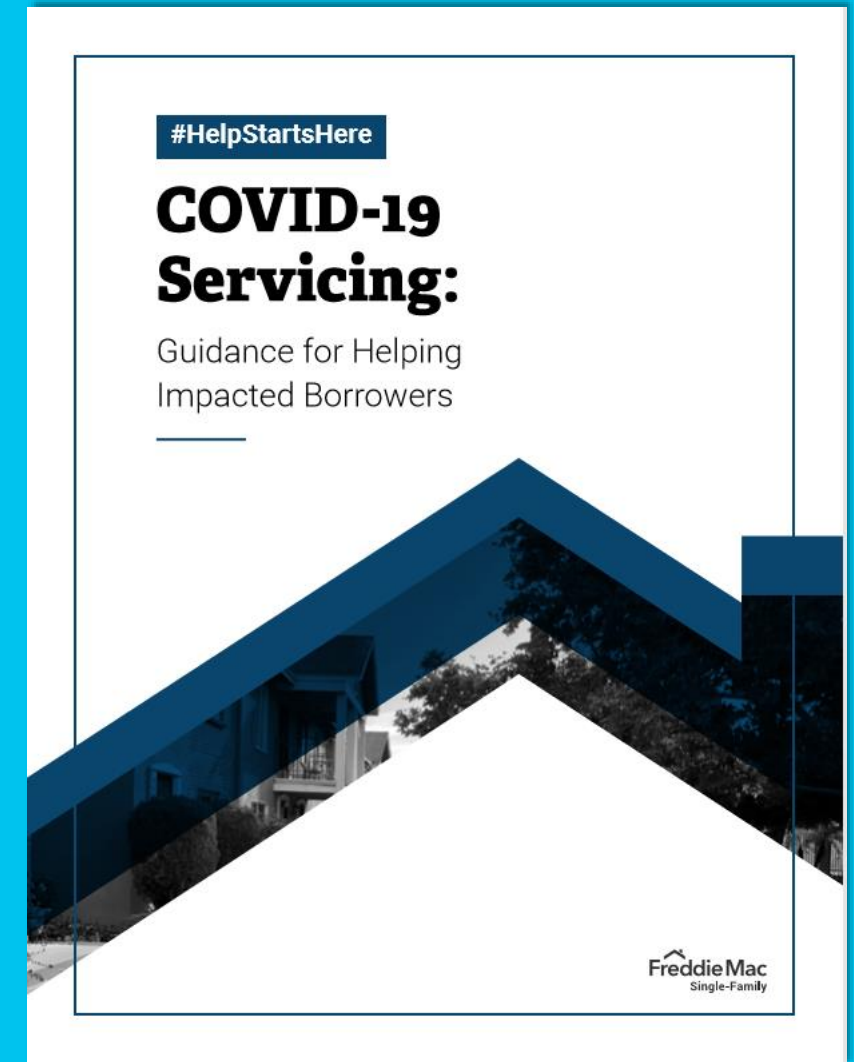
- COVID-19 related hardship
- The borrower must have been current or less than 31 days delinquent as of the date of the National Emergency declaration related to COVID-19, March 1, 2020
- Reduced evaluation criteria

Best practice: Stay on the pulse of change with up-to-the-minute guidance

From quality right party contact, to foreclosure/eviction suspension, to the CARES Act... help starts here with a summary to navigate the latest changes to support homeowners impacted by COVID-19.

Visit the [Servicer eBook](#)

Visit the [COVID-19 Resource Center](#)



Questions?

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