

Freddie Mac Single-Family Home Starts Here Podcast Episode Transcript:

#HelpStartsHere: A Roundtable Discussion

Announcer: [00:00:01] Welcome to the Freddie Mac Single-Family Home Starts Here podcast. Your connection to all the latest industry trends, insights and points of view on the mortgage market from Freddie Mac leaders and other industry experts.

Liz Mugavero [00:00:18] Welcome to the Freddie Mac Single-Family Home Starts Here podcast. This is your host, Liz Mugavero. The team here at Freddie Mac hopes all of our listeners are staying safe and healthy and doing as well as possible during these challenging times. Since this crisis began, the Freddie Mac team has been laser focused on identifying how we can best help our clients, our servicers and homeowners in need and to be a stabilizing force in the industry. And I'm excited for today's conversation with the team that has been really on the frontlines of this work. Joining me today is Danny Gardner, Senior Vice President of Client and Community Engagement here in Single-Family. Terri Merlino, Senior Vice President and Single-Family's Chief Credit Officer. And Kevin Palmer, Senior Vice, president of Single-Family Portfolio Management. Welcome, everyone.

Guests: [00:01:00] Thanks. Thanks, Liz. Great being here. Good afternoon.

Liz Mugavero: [00:01:03] I'm so excited to have you here. So, let's jump right in. I'm going to direct this first question to Danny. So, Danny, our focus during this crisis has been on ensuring that we contribute to a balanced, stable housing finance system that helps Americans achieve the dream of homeownership. The widespread effects of Covid-19 has somewhat shifted that balance. Do you feel that we've implemented the lessons of past crises and where have we been able to improve because of them?

Danny Gardner: [00:01:28] Sure. Thanks for the question, Liz. So, something to keep in mind is the last crisis was truly a housing crisis and it actually took place and got worse over several years. What we're dealing with today is something that was really more of a health crisis that, of course, affects the housing industry. And it came on almost overnight. So, what we've actually been able to do is to go back to the playbook that we designed 10 years ago, and we progressed through that playbook as the crisis worsens. So today we actually have the benefit of going back to a complete playbook and pulling out all of the best options that we know can be hopeful during this situation. I'd also like to comment on the fact that the industry is much different today than it was 10 years ago and that we have much better technology. So, as we are all trying to work remotely and distance from each other, some of the capabilities that we've established make us much more effective in today's environment than it was 10 years ago.

Liz Mugavero: [00:02:15] Thanks, Danny. So, continuing that thought. I'm going to ask Kevin and Terri to jump in and talk a bit about how we've been able to increase our offerings in our technology suite and any other products or solutions just based on some of that past knowledge that you've talked about. So, Kevin, why don't I start with you.

Kevin Palmer: [00:02:31] Yeah, just focusing on the servicing side. You know, for this crisis that we're in right now, we're actually much better prepared to address the issues that are out there. And it's really because of the great financial crisis that we went through. When we started the great financial crisis, we had very little solutions to the borrowers and it was very inefficient to do a modification or a process short sales. And, you know, the one silver lining to that crisis is we were able to roll out a suite of solutions for borrowers to make it easier for them to be able to stay in their homes under a kind of financial hardship type situations. We've also, even in the subsequent years, looked at, you know, the natural disasters that have occurred and rolled out different kind of forbearance programs that we're also utilizing in this crisis that

ultimately is trying to address the short term needs, hopefully of these borrowers and be able to have an easier way for them to exit from the hardships and to be able to maintain the home homeownership that they have.

Liz Mugavero: [00:03:34] Yeah. So, I guess we didn't waste the 2008 crisis and we definitely learned a lot of things that we were able to bring to bear today. So, Terri, from your perspective, do you have anything to add?

Terri Merlino: [00:03:45] Yeah. Liz, you know, not only you had mentioned about technology being stronger, but also if you think about the amount of data that is now available to us and to the industry in general. So that gives us the ability to use that data as well as the technology to provide items like our automated collateral evaluation, which gives the ability to not require an appraisal as part of the loan transaction. And if you think about with today's crisis and the need for social distancing, that becomes more important than ever.

Liz Mugavero: [00:04:19] Absolutely. And were we able to bring in more flexibilities around appraisals and that sort of thing? Terri, can you talk a little bit about that?

Terri Merlino: [00:04:26] Yeah, thanks, Liz. So not only do we have automated collateral evaluation, but as we approached how we could be responsive to the industry, to our lenders, to our borrowers in light of the current crisis, we had to be thoughtful about some flexibilities that we could provide. Some of the challenges that we saw in the marketplace were the ability for appraisers to enter homes, to do interior inspections from the appraiser standpoint, their concerns about their health and welfare. And the same thing for the homeowners not wanting a stranger in their homes. So, we were able to identify flexibilities which include a desktop appraisal where appraisers use available information regarding the property and the comparables. And that also you can access pictures and the appraiser is able to generate an appraisal from that information. And then we were also able to provide an additional flexibility where we would allow an exterior only appraisal where the appraiser doesn't need to enter the property in order to generate that appraisal. So, both of these are great examples of being able to be responsive to the current situation, but still provide very prudent approach to lending.

Liz Mugavero: [00:05:41] That's great. And how is the industry responded, in your opinion?

Terri Merlino: [00:05:45] The industry has responded in a great way, you know, really taking advantage of these flexibilities. It allows the purchase market to continue because of these flexibilities, as well as giving borrowers the ability to take advantage of the lower interest rates in order to refinance loans that they may currently have outstanding.

Liz Mugavero: [00:06:05] And as you said, we've been we've been really listening to the feedback and trying to respond as quickly as possible to what is needed. And we're pushing a Bulletins and FAQs regularly so everyone can stay informed. And that's actually going to lead me into my next question. There is a lot of confusion and misinformation out in the marketplace today just with the media and everything that's going on. And sellers, servicers, consumers are all questioning forbearance and other top of mind topics like that. So, Danny, what information and resources are available to help? Can you talk about what we've been offering to the industry?

Danny Gardner: [00:06:45] Sure. So, as I mentioned, this crisis came on rather quickly and it created a lot of confusion for everyone, both consumers, our lenders, real estate professionals, you know, everybody in the industry was a bit out of sorts, if you will, about what were the appropriate actions to be taken. And even though we were able to put out a great number of solutions, many of which, you know, Terri and Kevin just took us through really, truly trying to cascade that down so that a consumer can understand who to contact, frankly, who they can trust and what are their options has been a challenge and trying to deliver a unified message. So, we are actually pleased to announce a new hashtag #HelpStartsHere. This is how we communicate to the industry, to borrowers, to servicers, lenders and other participants to understand where to find information and get the clarity they need to help families who may be facing difficult times during this crisis. By visiting the Covid-19 resource page at FreddieMac.com, borrowers can find an interactive resource guide which will help them understand how to reach their servicers, what information they need to have in hand when they approach their servicers, and what documentation may be required. And in addition, options that the servicer may provide to them and helping them retain homeownership during this crisis. This solution is also available in English and in Spanish and can be found at the Freddie Mac Web site. By going through this guide, not only will they have access to the information that I mentioned previously, but also a number of other solutions providers who can help them, such as

network of housing counselors or perhaps even government agencies in their local markets who can really help explain what resources are available. Not only are we providing this through the Web at the interactive guide, but we're actually deliberately reaching out to other members of the industry and teaching them about the use of this tool so that they can promote it to their borrowers or maybe even in their communities. So, we actually have seventy-five webinars scheduled at this very moment with real estate professionals, non-for-profits, housing finance agencies and of course, our clients to help them understand how to access this tool and how to use this tool to help consumers. And I also thought it was worth mentioning that there was a joint announcement of the CFPB, HUD and the Federal Housing Finance Agency to announce a Web site where consumers can get this kind of information not only related to Freddie Mac, but also Fannie Mae and Ginnie Mae loans. You can find that at CFPB Web site.

Liz Mugavero: [00:09:09] Thanks, Danny. It's a lot of webinars. Your team is really busy these days.

Danny Gardner: [00:09:15] Trying to stay safe, yes. And adapting to socially distant education.

Liz Mugavero: [00:09:18] Absolutely. Kevin, there's also a component for servicers within the hashtag #HelpStartsHere campaign. Do you want to talk a little bit about that?

Kevin Palmer: [00:09:25] Yeah, I think, to your point, there's been a lot of confusion from both the borrowers as well as the servicers. I think as we went into this crisis, we made a lot of additional announcements on the solution that would be available to the servicers to be able to provide to their borrowers. And since we had various different bulletins or announcements that we put out there, we decided to create a servicer e-book. And this basically a one-stop-shop for our servicers to be able to get all the information that they need during this crisis so they can be clear on the policies that we have rolled out to be able to help them as well as the actual borrower during this time.

Liz Mugavero: [00:10:02] That's great. And have you had heard any feedback from servicers about the e-book?

Kevin Palmer: [00:10:06] We have. We actually have heard from servicers that they've appreciated kind of it being put together all in one. And it helps to provide that clarity that they're looking for. I think additionally, we had various different versions of servicer call scripts that were out there and we kind of worked together with Fannie Mae and FHFA to be able to provide a servicer call script. They don't have to use it exactly, but it can help create some clarity on when they're working with the borrowers, the way to interact, to ensure that the borrowers understand the various options that are available during this time.

Liz Mugavero: [00:10:45] That's great if it does feel like people were definitely looking for that type of leadership and just the ability to be able to find things easily without having to hunt them down and knowing that it's coming from a trusted source is super important. So, what is on the horizon? Are we seeing any light at the end of the tunnel from this crisis? Can you guys talk a little bit about what the immediate future holds? And I'd like to start with Terri on this one.

Terri Merlino: [00:11:10] Yeah, thanks, Liz. All of the changes that we've announced so far has been really to be responsive to the industry, you know, to lenders as well as to borrowers. Very early on in the crisis, we did extensive outreach to lenders to hear what were some of the challenges. Those dialogues continue on a regular basis, so we are in constant contact to hear what may be the ever-evolving challenges and struggles with this particular crisis. So, a couple of areas that we're focused on right now is self-employment income, as we see unemployment rising, we want to provide additional guidance on a number of topics like the self-employed borrower. And another topic is around investment properties. And you know, the reasons why we're addressing these risks, if you think about the current economic environment and the impact that it can have on the revenue income and cash flow of the self-employed borrower, it's important for us, you know, as an industry, as lenders, to make sure that we're properly evaluating this income to assess the credit risk associated with the loans and also to make sure that we're setting the borrower up in order to be successful. You know, typically this income is evaluated using tax returns. And as everyone's aware, you know, we have the extension for filing the 2019 tax returns has been extended to July. So, there may be situations where you could be going back as far as 2018. And even if you have 2019 returns, they're certainly not reflective of the current economic environment. So, we need to be thinking about what are some flexibilities, what are some alternative solutions that we could provide to lenders in order to evaluate that income? And then you have a similar situation. If you think about investment properties, typically we rely on tax returns or leases. And again, those may not be indicative of the current situation, whether or not actual rent is being collected or paid. So, we need to consider if it makes sense to use that to rely upon as a sustainable income to service that debt. So, what other approach should we consider in light of today's crisis? So, those are just a couple examples of items that we're continuing to work on.

Kevin Palmer: [00:13:26] If I could just jump in. I think Terry made a really good point. I think every crisis is very unique. And as such kind of us working closely to listen to our our customers, to our servicers and originators, an understanding the need to we're actually doing that very frequently. Most of the time weekly at least, because even in this crisis, it came upon us very quickly and we had to make some initial reactions to it. And even as we kind of move through this, the needs of the market shift and change, and we just need to make sure that we understand those needs and that we can be nimble to be able to provide the solutions that are needed so we can all kind of fare as well as possible during this time.

Liz Mugavero: [00:14:10] Thanks, Kevin. It sounds like we definitely learned a lot from the 2008 crisis and that we've been able to bring a lot of innovative solutions to bear based on that past experience. I know that all of you have is spending a lot of time talking with clients and really understanding what they need and how we can best help them. So that's a testament to all of your dedication to being a stabilizing force in this in this crazy time.

Danny Gardner: [00:14:33] And Liz, to that point, I'm reminded that about a year ago, around this time we introduced this new concept called "All for Home", which was a redefined way of thinking about sustainable homeownership. So, this is our opportunity to truly think about sustaining homeownership, not only just creating the opportunity for new homeowners. But how do we help a system as they run into challenges with making their mortgage payments as everybody weathers through this crisis? And as you know, it's under that umbrella that we think about products, we think about education, we think about insights and business solutions. And so, by gathering that information from the ecosystem, all of the participants that I mentioned previously, our lending partners, real estate professionals, non-for-profit organizations, government agencies, we bring all of that feedback together. And then working in partnership with FHFA, hopefully we can then find new opportunities to help serve and bring other solutions to market that can really help people sustain this unique environment.

Liz Mugavero: [00:15:27] Thanks, Danny. And now I have one more question that I'm going to direct to you Kevin. How do you see our role expanding or evolving as a stabilizing factor as we move more fully into recovery mode?

Kevin Palmer: [00:15:37] Yeah Liz, I think that's a really good question and it really takes Freddie Mac back to the root as to why we were created. I mean, I think providing liquidity and stability in this market has been critical to ensure that not only borrowers that are looking to purchase a home or refinance a home have the access to do so. But also, the many borrowers that are have been impacted by Covid-19 that we're able to provide the solutions out there to our servicers, and to the borrowers, to be able to address the situation. You really don't have to look too far in other markets, like even the jumbo or non-QM market that you can see how liquidity is almost completely dried up and Freddie Mac has been there to be able to ensure that liquidity can continue through this crisis. And I'm you know, I've heard directly from our lenders and our servicers that the appreciation that they have for the role that we've made during this very critical time.

Liz Mugavero: [00:16:30] Awesome. Thank you all for being here and sharing your insights today on everything that you're doing to make this time as easy as possible for our clients our servicers and the industry at large. We appreciate you taking the time to share all this with our listeners. And thank you all for listening. Hope everyone stays safe and healthy. Please visit our Single-Family Web site for links to the resources that were mentioned here today. And we appreciate you subscribing and reviewing this podcast series wherever you listen. Thanks. And we'll see you at the next episode.

Announcer: [00:17:04] Thank you for listening to the Freddie Mac's Single-Family Home Starts Here podcast. Stay tuned and subscribe to catch additional interviews with key industry leaders and experts. Home Starts Here is available wherever you listen to your podcasts. We appreciate you rating, reviewing and sharing with your network.

