Congress of the United States
Washington, DC 20515

April 17, 2020

Dr. Mark Calabria
Director
Federal Housing Finance Agency
400 Seventh Street, SW
Washington, DC 20219

Dear Director Calabria:

As the world continues to come to grips with the colossal impact and marked devastation of the Covid-19 crisis, every government regulator has been called upon to use the tools at their disposal to help mitigate the situation for consumers and businesses across the United States. While Ginnie Mae has taken the initiative to stand up its Pass-Through Assistance Program to help its issuers have access to liquidity during this unprecedented emergency, you have publicly ruled out the possibility that the government sponsored enterprises (GSEs) would stand up similar facilities, dismissed the immediate need for liquidity for mortgage servicers, and stated that FHFA's response to failing servicers will simply be to transfer mortgage servicing rights to other servicers. We are concerned that your comments inappropriately undermine the gravity of the situation at hand, and that FHFA's response would ultimately cause significant market disruption and harm to borrowers as we have seen historically when servicing rights were transferred in the aftermath of the 2008 crisis. We write to insist that you publicly support the creation of a liquidity facility by the Federal Reserve and Treasury under authority provided by the CARES Act, and work with those agencies as appropriate to ensure that local independent mortgage banks, credit unions, community banks and other entities that act as mortgage servicers are able to continue serving this critical function.

As of April 15th, approximately 3.74 percent of U.S. mortgages are in forbearance, and Department of Labor figures show an additional 22 million Americans have recently become unemployed. The situation is dire and expected to worsen in the coming weeks. And analysts at Morgan Stanley and Goldman Sachs are now predicting a 1 percent global economic contraction and a 30 percent GDP loss.

Under Title IV of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Congress provided a foreclosure moratorium and forbearance relief for homeowners with federally backed mortgages. Mortgage servicers are the ones that will ensure that payments are continually advanced even when borrowers have stopped paying, but even well capitalized servicers could struggle to have sufficient liquidity for the duration of this unprecedented crisis. In other words, mortgage servicers, which include many independent community banks, mortgage banks, and credit unions are on the front lines of serving millions of homeowners who may face financial hardship as a result of COVID-19. They also create and maintain local jobs. Fannie Mae and Freddie Mac were created to provide stability to the housing finance system, and yet your approach to simply rely on the transfer of mortgage servicing rights when servicers fail, rather than providing or advocating for the provision of the liquidity needed to keep them from failing, would likely result in significant market disruption and harm to borrowers.

Federal Reserve Chairman Powell noted that "financial markets had begun to sink into dysfunction," and by comparison, in the 2008 Great Recession, some areas of the economy were not affected, and many nations never felt the squeeze as the global economy convulsed. Today's crisis though, spans the entire globe and includes the variable of protracted uncertainty as we have little to no sense of a timetable to "return to normalcy."

It is critical, therefore, that we use every tool at our disposal to stem the tide, address consumer needs, and promote business confidence in a collaborative, organized federal response. It is critical that you acknowledge the gravity of the situation at hand and work towards proactive solutions that are aligned with the mission of the GSEs to provide stability for the housing finance system. Therefore, we urge you to publicly support the creation of a facility for mortgage servicers by the Federal Reserve and the Treasury, and work with those agencies as appropriate to respond effectively to the needs of this critical industry.

We look forward to working with you on this important matter.

If you have any questions about this letter, please contact me via my staffer, Darrell "Rico" Doss in Congressman Clay's office at darrell.doss@mail.house.gov, or 202.225.2406 office phone or 202.738.2875, cellphone.

Sincere regards,

Wm. Lacy Clay

Brad Sherman

Gregory Meeks

Al Green

Emanuel Cleaver

Joyce Beatty