



RESIDENTIAL LOAN ADMINISTRATION COMMITTEE UPDATE

Dear Loan Administration Committee,

Welcome to the March LAC Update. Thank you all for your continued support of MBA. Below are highlights and key developments from the month of March.

Best,

Brendan Kelleher



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Research and Economics – March Spotlight

The graph below from Freddie Mac showing that, as a component of ongoing housing expenses, HO insurance costs are growing but remain a small fraction compared to the mortgage principal and interest payment. See more from Freddie Mac [here](#).

EXHIBIT 5

Average HO insurance cost burden by income, 2018-2023



Note: HO insurance cost burden calculated as the share of a mortgage borrower’s monthly income that was paid toward HO premiums. Very low-income borrowers are those with an income no greater than 50% of area median income. Low-income borrowers are those with an income that is at least 50% and less than 80% of the area median income. Middle-income borrowers are those with an income that is at least 80% and less than 120% of the area median income. High-income borrowers are those with an income above 120% of area median income. Includes all single-family owner-occupied property with a fully amortizing 30-year fixed-rate purchase mortgage.

Source: Closing costs data where the mortgages were funded by Freddie Mac.



RESIDENTIAL LOAN ADMINISTRATION COMMITTEE UPDATE

MBA and LAC Working for You

I. Agency Servicing Comments, Letters, and Feedback Submitted

1. MBA Submits Recommendations for FHA's Permanent Loss Mitigation Waterfall

On March 13, shortly following the Federal Housing Administration's (FHA) release of its new Payment Supplement program, MBA [submitted](#) several recommendations to FHA for a permanent loss mitigation waterfall to help borrowers avoid foreclosure. MBA recommended that FHA preserve the loss mitigation flexibilities available to servicers and borrowers after the COVID-19 Recovery Loss Mitigation Waterfall expires in April 2025.

Among several recommendations, MBA suggested that FHA:

- align guidance closely with Fannie Mae and Freddie Mac, specifically as it relates to hardship documentation and forbearance terms;
- ensure access to streamline loss mitigation solutions for seriously delinquent borrowers;
- create one waterfall that provides access to the same loss mitigation solutions for all borrowers regardless of reason for hardship;
- preserve the standalone partial claim as a valuable tool to assist borrowers in the servicer's loss mitigation toolkit; and
- release any overhaul to its permanent loss mitigation waterfall to the Drafting Table for stakeholder review.

These changes are important and impactful, but in the near-term servicers are focused on implementing the new Payment Supplement program, a novel use of a partial claim to temporarily reduce a borrower's monthly payment, until January 2025. Providing sufficient implementation time for servicers is necessary to ensure sustainable performance of the loss mitigation solutions.

State and Regulatory Servicing Updates

I. U.S. Department of Agriculture

1. USDA Announces Servicing Guideline Revisions

On March 5, the U.S. Department of Agriculture (USDA) [announced](#) revisions to the Servicing Chapters of the Rural Development's Single-Family Housing Guaranteed Loan Program Handbook. The aim of these changes is to streamline and simplify the mortgage recovery advance (MRA) process used to aid borrowers who have had a forbearance or other loss mitigation solution ahead of an



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upcoming final rule on the program's servicing options. These servicing amendments are the first proposal to use the new USDA Policy Desk tool, explained below. MBA plans to submit comments in response to these changes by the April 12, 2024, deadline.

Specifically:

- The [proposed changes](#) to Chapter 17: Servicing Performing Loans - mostly focus on technical changes to account for the MRA.
- The [proposed changes](#) to Chapter 18: Servicing Non-Performing Loans - made several changes to USDA's loss mitigation program, including adding the MRA loss mitigation option.
- The [proposed changes](#) to Chapter 19: Loss Claims - made technical changes to account for the MRA.

2. USDA RHS Releases Policy Preview Tool for Industry Feedback

The USDA Rural Housing Service (RHS) released its latest initiative, the Policy Desk tool. Similar to the FHA Single Family Housing Drafting Table, this tool allows stakeholders to review proposals and offer input before implementation. MBA applauds RHS for adopting this drafting table-like tool, reflecting the longstanding advocacy for such a resource. The launch of the USDA RHS Policy Desk tool enables stakeholders to review and provide feedback on proposed changes, encouraging transparency and collaboration.