NAMB

May 12, 2020

The Honorable Senator Crapo
Chairman
Senate Banking, Housing & Urban Affairs Committee
United States Senate
239 Dirksen Senate Office
Washington, DC. 20510

The Honorable Senator Brown
Ranking Member
Senate Banking, Housing & Urban Affairs Committee
United States Senate
503 Hart Senate Office Bldg.
Washington, DC 20510

Subject: Cares Act Deferral of Mortgage Payments Negative Impact on Consumers:

Dear Chairman Crapo and Senator Brown:

NAMB, the National Association of Mortgage Brokers, is the only national trade association representing small business mortgage broker companies and loan originators. With members in all 50 states, NAMB promotes the industry through programs and services such as education, professional certification and government affairs representation. The wholesale channel represents over $100 billion in mortgage originations. Entities that broker loans are near 20% of the mortgage market.

On April 26, the MBA reported 7.91% of mortgages are in forbearance. These loans will be reported as in default on their credit report or not paying as agreed. Typically, consumers must pay back all the payments missed once the forbearance period ends. The consumer will need to make all payments of the forbearance in the month the forbearance ends. This will result in most consumers defaulting on their mortgage. This, in most cases, seems improbable to happen given the COVID 19 shutdown and related job losses.

Consumers utilizing the Cares Act deferment provisions should have their payments frozen for a period of time, then add the missed months at the end of the loan term. The life of the loan will be extended by how long the loan was in deferment.

We are writing today to highlight a harmful situation for consumers having utilized their deferral rights found in the Cares Act; and harm to many consumers that merely inquire about deferment. We have numerous reports from mortgage broker companies that the fact that a consumer merely inquires about deferment under the Cares Act triggers that consumer being placed in forbearance by the servicer. We believe there should be a requirement that a written agreement must be in place before a consumer is placed in a lender-created forbearance or Cares Act deferment. In addition, there are reports that consumers in deferral who wish to exit deferment are faced with an indication on their credit report that the loan was impacted by a natural disaster, the loan was affected by the Cares Act, or other similar comments.

Consumers will be impacted in the future when obtaining a loan. These comments in consumer credit files impact and harm a consumer when they attempt to purchase another home or refinance their home after the deferment period. This is because the new lender or refinance lender will see these negative comments in the credit bureau file and this will cause consumers to pay more in finance charges or get declined. This has incredibly negative impacts to the housing market. First, in the refinance situation, the consumer becomes “stuck” at their higher rate and cannot take advantage of lower rates. This certainly helps the lender’s mortgage portfolio and slows or stops runoff – when consumers refinance their mortgage for lower rates. Second, in the purchase situation, the same negative information appears in the credit bureau file and is utilized by the lender to price the new home loan when the consumer wishes to move to a new home. This certainly harms consumers again because the mortgage payments were made during the deferment; just not by the consumer.

Alarmingly, merely inquiring about the deferment options under the Cares Act should not be reported to the credit bureaus nor should they trigger any type of agreement or modification of the consumer mortgage. This should be immediately addressed by Congress so that all Federally related mortgage will have consistent application.

These results are unfair and harmful to consumers and need immediate Congressional attention.

NAMB does not believe these negative results for consumers were Congress's intent when Section 4022 relating to deferment of mortgage payments of the Cares Act was passed. In addition, NAMB believes that the reporting of deferment to credit bureaus violates the spirit of Section 4021 of the Cares Act by impacting consumer credit files. Failure to enhance consumer protections for consumers utilizing the provisions in the Cares Act will have long-term negative impacts on consumer financing options and ultimately a negative impact on the housing market. NAMB looks forward to working with Congress to address these unintended consequences of the Cares Act and help the American economy get back on its feet after the COVID 19 virus lockdown.

Small business mortgage brokers are small independent companies in all areas of the country; even in areas where bricks and mortar banks choose not to be present. These mortgage brokers bring mortgage options to consumers especially in low-income areas. When this crisis is over, small business mortgage companies will lead the nation out of this dramatic downturn to our economy. Mortgage broker companies need their wholesale lenders and servicers to have access to funding liquidity to meet consumer housing needs.

Thank you for your consideration,

Rocke Andrews

Rocke Andrews, CMC, CRMS
President
NAMB

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