UMPQUA BANK

HB 4204: Proposed Commercial and Residential Foreclosure Moratoriums

Co-Chair Courtney, Co-Chair Kotek, and members of the Joint Interim Committee on the First Special Session of 2020, thank you for the opportunity to provide written testimony related to the issue of commercial and residential foreclosure. My name is Kevin Skinner and I am the Head of Home Lending at Umpqua Bank, which is the largest Bank headquartered and chartered in the State of Oregon. This written testimony is in addition to the written testimony submitted by the Oregon Bankers Association and the testimony provided by my fellow Oregon banker, Joan Reukauf, President and CEO of Willamette Community Bank. Let be begin with a guiding principle as we face this health crisis. All of us want to see homeowners stay in their homes as we manage through this pandemic together.

- First a little background on Umpqua Bank and the Mortgage industry.
    - Umpqua Bank originates mortgages for customers through loan officers employed in our Home Lending Division.
    - Most of the loans we originate are sold into the secondary market. We remain the servicer in almost all cases.
    - Some loans are originated for investment, and are held by the Bank on our Balance Sheet.
    - For loans sold into the secondary market, most are backed by Government Sponsored Entities through purchase by Fannie Mae or Freddie Mac, or are guaranteed by Ginnie Mae (for loans insured by FHA, VA, or USDA).
    - Industry-wide, the mix of originations is roughly 55% Fannie/Freddie, 20% Ginnie Mae, 20% Bank portfolio (mostly Jumbo and construction loans), with a small slice Private Label Securitization and other.
- Recently the Pandemic has created some unique challenges for mortgage origination:
    - Appraisals have been impacted by the need to maintain social distance. This impact was mitigated somewhat by flexibilities implemented by Fannie Mae and Freddie Mac. Currently timelines are somewhat lengthened, but appraisals are functioning close to normal.
    - Similarly, face-to-face processes for notarization and closing are being reviewed to determine if remote capabilities could replace the current state. We are supportive of enabling such processes, though the implementation timelines in our systems and processes would make this a longer-term change.
    - Underwriting borrowers has become complicated by sudden job losses and furloughs, as we are required to demonstrate a borrower's ability to repay the mortgage when the loan closes. Verifications of employment are also more difficult in a work-from-home world.
- As a Servicer, we are responsible for receipt of borrower payments and distribution of those payments to investors, tax authorities, and insurers, as applicable. Loan Servicing activities are subject to the rules of the Government Sponsored Entities or other investors to which the loans have been sold, in addition to internal Bank policies and regulation by Governmental authorities.
- The federal CARES Act puts in place two protections for homeowners with federally backed mortgages:
    - First, your lender or loan servicer was not able to foreclose on you for 60 days after March 18, 2020. Specifically, the CARES Act prohibits lenders and servicers from beginning a judicial or non-judicial foreclosure, or from finalizing a foreclosure judgment or sale, during this period of time. The GSE's have since extended this moratorium to August 31st.

- Second, if you have a government-backed mortgage, and if you experience financial hardship due to the coronavirus pandemic, you have a right to request a forbearance for up to 180 days. You also have the right to request an extension for up to another 180 days. You must contact your loan servicer to request this forbearance. There will be no additional fees, penalties or additional interest added to your account. You do not need to submit additional documentation to qualify other than your claim to have a pandemic-related financial hardship.
    - To compare between Traditional Forbearance and CARES Forbearance guidelines:
        - Traditional
            - Requirement to evidence hardship
            - Requirement to complete formal, written request
        - CARES guidelines provide for
            - Oral or written statement of hardship
            - Right to request forbearance for up to 180 days & request additional 180 days
    - Umpqua Bank, and Banks across Oregon, are extending the same relief options to customers for loans we hold in our respective portfolios. Though not a legal requirement of the CARES Act, this ensures our customers get consistent treatment to the extent possible.
- Here are some details on what forbearance is and isn't.
    - Forbearance provides immediate payment reduction or suspension.
    - Borrowers can stay in their home and avoid foreclosure <u>while addressing a temporary hardship.</u>
    - If you can afford to make your payment, you should continue to do so.
    - It does not waive your payments – they are still due after exiting the forbearance.
    - Several options are available at the end of the forbearance to enable the homeowner to catch up on the missed payments. These may include:
        - Lump sum payments
        - Repayment plan
        - Payment deferral
        - Loan Modification for borrowers experiencing a sustained reduction in income
    - Late charges are waived if in a formal forbearance plan, and adverse credit reporting is suspended.
    - The Servicer will advance Principal and Interest as required by the investor, and if escrowed, will advance Taxes and Insurance as required by the government and insurer. These will be paid back eventually. Depositories will likely fund advances out of normal liquidity; non-banks are expected to tap liquidity facilities. The GSE's are providing some support in this area.
- Let me briefly note that our servicing approach, and I expect the approach of the Banks generally, has been to make available the full range of options that will enable customers who have been affected by this pandemic to stay in their homes.
- Forbearance activity: Industry wide, more than 8% of loans are in forbearance, and more than 6% were 30+ days delinquent at April month-end. Note that many loans in forbearance remain current.
- Attention is also turning to Forbearance exit plans once the short-term issues are mitigated:
    - Servicers are required to contact the customer 30 days before the forbearance period ends to work out options.
    - Investors are each updating required processes to exit forbearance.
    - New loan eligibility rules for borrowers in forbearance have recently been announced by investors. Borrowers who exit forbearance will be refinance-eligible after three months of current payments, or immediately if no late payments were incurred during the forbearance.
    - All parties want to get borrowers caught up and current.
    - Foreclosure is a last resort.
- I hope this information is helpful to better understand the current state of the mortgage industry.

Thank you for your attention to this matter.

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