PACIFIC RESIDENTIAL MORTGAGE

April 14, 2021

Oregon Senate Committee on Housing and Development
900 Court Street, NE
Room 453
Salem, OR 97301
Via Electronic Delivery

RE: Written testimony for HB 2009

Dear Senate Committee Chair and Members,

I was an active participant in the Governor's Mortgage Lending Work Group (2007-2009). We learned, through much discussion from every side and point of view, that we all wanted a healthy, vibrant and safe housing market for Oregonians. As we explored options, we collectively determined there are many complexities facing federal and state regulatory frameworks on a topic such as housing finance.

The vast majority of mortgage financing is performed within a national regulatory framework (CFPB and related federal regulators) and a nationalized financial liquidity channel. Liquidity is largely made possible through synchronization with such entities as Fannie Mae (FNMA), Freddie Mac (FHLMC), the Federal Housing Administration (FHA), Veterans Affairs (VA) and the Department of Agriculture (USDA). FNMA and FHLMC are governed by the Federal Housing Finance Agency (FHFA) and are, together, the channels in which the vast majority of home loans are financed. FHA, VA and USDA loans are guaranteed or insured by the federal government and are securitized through Ginnie Mae (GNMA). FNMA, FHLMC and GNMA together combine to account for most of the nation's housing finance transaction volume and mortgage backed securitizations (MBS).

HB 2009, in present form, creates many conflicts with the existing nationalized housing finance framework, including:

- The federal CARES Act is still in force for government backed home loans until June 30, 2021 and has already expired for non-government backed loans at the end of 2020
    - We will not see the real impact of forbearance on consumers or mortgage companies for FNMA, FHLMC, FHA, VA and USDA loans until after June 30, 2021
- Offering consumers extended protections beyond the CARES Act, while not simultaneously offering lenders protections to ensure continued liquidity of Oregon's housing finance marketplace, is unprecedented
    - In March and April of 2020, liquidity dried up across the nation for many lending programs given capital market uncertainty and the newly created forbearance initiatives contained within the CARES Act

  - Fortunately, emergency measures were taken by the federal government to ensure continued liquidity for FNMA, FHLMC and GNMA whole loan deliveries, MBS pools and resulting securitizations
  - Prior to the enactment of emergency measures, investor appetite for some loan programs evaporated overnight, risk thresholds were constricted and loan pricing became unpredictable, cascading out of control
  - If Oregon were to extend consumer protections, without similarly issuing an explicit, simultaneous guarantee of lender liquidity for loans destined for securitization (similar to the emergency measures taken last year at the national level), Oregonians are likely to experience similar results of market uncertainty in the form of higher costs and/or loan program limitations
- If Oregon was to depart from federal CARES Act and related deferment policy, we will see significant disruption in current MBS pools and additional disruption in mortgage servicing rights (MSR) valuation challenges, resulting in Oregon being labeled "higher cost", which will be passed on to all new Oregon consumer transactions
- The intent of this bill is to protect home owners; therefore, allowing up to five properties, and not just the primary residence, to have further deferment protections is not consistent with intent
  - Oregon's housing markets are strong and distressed sellers of second homes and investment properties have favorable market conditions in which to right-size their personal balance sheets
- CARES Act deferment protections were correctly publicized properly as consumer friendly, but with announcements which were unfortunately confusing to consumers
  - Many home owners accepting CARES Act deferment didn't understand the repayment terms, or even the need for repayment over time
  - Many were also confused and misunderstood that the government was making some or all of their housing payments during deferment
  - Escrow account catch up payments will be that much more severe for consumers if deferments are allowed past the CARES Act timelines, causing additional payment-shock upon reinstatement

We all care about Oregon consumers who are in need. There are significant challenges related to the current iteration of HB 2009 which require resolution. Thank you for your consideration of these pressing matters in your collective review of this bill.

Sincerely,

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