Regulators alert Congress about an overlooked impact of COVID-19 on mortgage loan servicers. As states work to provide guidance to consumers and institutions, California strikes a major agreement with its banks to help their community. Fed Chair Jerome Powell goes on ABC Morning News. And, CSBS provides state-level data into just how much the unemployment rate has changed so far in March.

Good afternoon, and welcome to the COVID-19 Financial System Update. It’s March 27, and here are the news updates as of 2 p.m. Eastern Time:

**Headline News Today**

The primary regulators of mortgage licensees are sounding the alarm, saying the $2 trillion relief package moving through Congress does not do enough to ensure a key part of the mortgage market remains functioning.

Mortgage servicers, the companies that collect mortgage payments, taxes and insurance money from homeowners and disburse those funds to the necessary recipient, could face a liquidity crisis, says CSBS President and CEO John Ryan. Mortgage servicers are contractually obligated to pay out funds, whether or not a homeowner makes their monthly mortgage payment. If too many homeowners fail to pay their mortgages, these servicers could run out of funds needed to operate.
From John Ryan: “I believe that without a credit facility, a severe liquidity shortage will threaten both the ability of mortgage servicers to serve their customers and the health of the nation’s housing finance market.”

In a separate release, state regulators praised Congress for providing other tools for the financial system to support communities and consumers.

**In Other State News…**

Several of the hardest-hit states in the nation are developing their own guidance and working with banks to help borrowers. CSBS provides a list of state guidances and executive orders, available in the show notes. Today we’d like to highlight the work of California, which made a major announcement Wednesday showing how states could help consumers by working with financial institutions operating in their communities.

**California Governor Gavin Newsom** announced that financial institutions will allow residents to receive mortgage payment forbearances of up to 90 days, make it easier to request forbearance and provide opportunities for customers to request additional relief from their financial institutions. Financial institutions will not report these late payments to credit reporting agencies, nor will they charge mortgage-related fees. In addition, financial institutions will not initiate foreclosure sales or evictions for at least 60 days.

Governor Newsom said he had secured support from Citigroup, JPMorgan Chase, U.S. Bank and nearly 200 state-chartered banks, credit unions and servicers.

As of March 15, **all 50 U.S. States**, Washington, D.C., the American Samoa and Puerto Rico have declared a state of emergency. All states of emergency are still ongoing. You can find all these announcements in the show notes.
In State-Federal News

The government body that brings together state and federal regulators into a single council issued a release Thursday highlighting the high level of collaboration between the agencies during the COVID-19 Pandemic. The Federal Financial Institutions Examination Council, or FFIEC, said that the federal banking agencies will not take action against institutions that submit their Call Reports due March 31 late. The FFIEC also highlighted that banks and credit unions of all size have built up substantial capital over the last decade and are well-positioned to support the needs of consumers and businesses.

And, Texas Commissioner Charles Cooper, the state banking member of Financial Stability Oversight Council, or FSOC, issued a statement highlighting its work. FSOC is tasked with monitoring risk to the nation’s financial stability and responding to those risks.

From Cooper: Today’s FSOC meeting is an excellent example of the regulatory coordination necessary during this challenging time. As we work to support our communities and the financial services markets in our states, the connections among state regulators and with our federal regulatory partners – including through the FSOC – will be central to the near and long-term stability of our system.

In Federal News…

Federal Reserve Chairman Jay Powell went on ABC Morning News to reassure the public that the Fed has plenty of firepower left to navigate this crisis. He had a message for consumers as well.

A summary of previous news this week:

- The Federal Reserve announced Monday they will buy as many U.S. government bonds and mortgage-backed securities as necessary needed to
support smooth market function. The Fed is also launching three emergency lending facilities, two of which will buy corporate debt and one that will lend to banks against collateral. Finally, the Fed will start up a program to support lending to small- and medium-sized businesses.

- The **Federal Reserve**, in addition to the measures announced on Monday, **will make changes to its supervisory approach** in the coming months to focus on helping financial institutions in this time.

- **Fannie Mae and Freddie Mac** announced Monday **they will provide multifamily building owners mortgage forbearance** on the condition they suspend all evictions for tenants struggling to pay rent due to COVID-19.

- The **Department of Homeland Security** **issued a memo** late last week clarifying sectors, industries and workers that qualify as “Critical Infrastructure,” including details on financial workers.

**And Now for Some Economic Insights**

CSBS Senior Economist Tom Siems **wrote a blog** showing how unemployment in the last 3 weeks has impacted each state. Siems notes that the largest increases in unemployment are in Rhode Island, Nevada, and Pennsylvania, but that unemployment has risen in all 50 states. Late last week, Siems also **penned a blog** talking about the impact of COVID-19 on the market as a whole.

CSBS maintains these blogs, as well as a whole host of additional resources for consumers, banks, non-banks, and regulators on its **COVID-19 Info Page**. Our previous podcasts cover more detail about those resources as well.

That’s all for today.

If your state or federal agency is taking action, if you’ve got a consumer resource, or if you’ve got financial news, please share it with us. You can send your news and activity to **newsroom@csbs.org**, and we will go through responses to share the most relevant news.
of the day.

Thank you. Please stay tuned, and bear with us as we work to bring all the news to you in the coming weeks.

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Podcast Length
6:43

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