Calls are growing for the Federal Reserve to provide safeguards for mortgage servicers as the industry is left out of the $2 trillion rescue package. Guidance from state regulators for industries, bankers and consumers continues. Washington State develops guidelines to keep the mortgage and real estate industries operating while enforcing strong health standards. As the $2 Trillion CARES Act becomes law, we have some tools to help consumers watch out for scams.

Good afternoon, and welcome to the COVID-19 Financial System Update. It’s March 30, and here are the news updates as of 4 p.m. Eastern Time:

**Headline News Today**

**Alarm is growing among the mortgage servicing industry** and its regulators about a potential mortgage finance system collapse if Congress or the Federal Reserve do not act soon.

From a piece by Katy O’Donnell in [Politico](https://www.politico.com): “The U.S. mortgage finance system could collapse if the Federal Reserve doesn’t step in with emergency loans to offset a coming wave of missed payments from borrowers crippled by the coronavirus pandemic.

“Congress did not include relief for the mortgage industry in its $2 trillion rescue package — even as lawmakers required mortgage companies to allow homeowners up to a year’s delay in making payments on federally backed loans.

“When individuals stop making payments on their home mortgages, the companies that
handle the loans and process those payments, so-called mortgage servicers, are still on the hook: They're legally obligated to keep sending money to insurers and investors in mortgage-backed securities, the giant bundles of home loans that are packaged and sold on the securities markets.”

The first mortgage payments since the start of the pandemic will be made this Wednesday. Until then, there is no clear indication of how many homeowners will make their payments late.

**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 guidance and executive orders, available in the show notes.

Today we’d like to highlight the work of Washington State, whose regulators and government are working hard to ensure the real estate and mortgage markets can operate as safely and efficiently as possible during the crisis.

Recognizing significant legal liabilities and displacement could occur if transactions do not close, Governor Jay Inslee has declared real estate and mortgage lending as approved activities in his under a few important conditions. These conditions include: prohibiting in-person meetings with customers except when necessary to view a property or sign a necessary document; banning real estate open houses; limiting property viewings, inspections, appraisals, and walk-throughs to occur by appointment and with no more than two people on-site at any one time while also observing social distancing; and requiring all real estate listings to be facilitated remotely.

States working on guidance of their own may look to Washington State’s example as a rubric for how to continue business in an industry that so frequently has face-to-face contact.
Many, many states are doing incredible work right now. We cannot cover the full extent of it in a short podcast, but we will continue to try and highlight one activity each time. Our glossary of state guidance and executive orders is available in the show notes.

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.

A Mention of Community Banks

The Wall Street Journal had a piece in today’s paper about how community banks are bracing for the impact of COVID-19 on their loans and their customers. From the article:

“Some community bankers say they have already started getting calls from businesses and individuals who say their cash flow might be tight for a while. At Stephenson National Bank and Trust in Marinette, Wis., business customers have expressed interest in short-term loans and additional lines of credit.”

The article cites concerns about the lack of face-to-face interaction, the shrinking pool of loan demand, and the possibility of consumers being late on payments.

In Federal News…

The Federal Reserve, FDIC, and OCC announced Friday that they are providing another optional extension on the new Current Expected Credit Losses Accounting Standard, or CECL. Bank organizations already can transition to the new accounting standard over a three-year period. The agencies announced that they would allow banking organizations to mitigate the estimated cumulative regulatory capital effects for up to two years.

In the same release, the federal agencies moved up the implementation of a rule that allows banks to use a new method to measure counterparty credit risk derivatives.
contracts, or the risk that a single party may default on a derivative. The agencies believe this rule change will improve market liquidity and smooth disruptions during the pandemic.

And Now for Some Additional Insights into the Mortgage Market

CSBS released a blog today providing insight into what’s going on in the mortgage market. The blog explains why mortgage rates plummeted, then proceeded to skyrocket, then highlights some risks to the industry and regulatory actions being taken to support the market as a whole. You can read more in the show notes.

A quick note for everyone: SO MUCH news happened in the last week, we are unable to summarize it all in each podcast. Moving forward, we will summarize activities of the week as best we can, but we encourage all listeners to go to previous episodes to hear about the previous week’s activities.

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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