COVID-19 Financial System Update - April 28

Transcript

Twenty-six million have applied for unemployment since the start of the COVID-19 Pandemic. We look at state-level data to figure out where the nation has been hardest-hit.

Broad consensus now exists among legislators, state regulators and the industry about what needs to happen to help prevent a mortgage financing crisis. Has there been any progress? Is there any reason this can’t happen?

And, a reminder to consumers: State regulators have noted an increased number of scams targeting mortgage loans. We’ve got the advice and resources you need to help protect yourself.

It’s Tuesday, April 28, this is Matt Longacre, and here’s the latest as of 4 p.m. Eastern:

Headline Economic News Today

The unemployment numbers are astounding. Already, more than 26 million Americans have filed for unemployment since the start of the pandemic.
How does that translate to unemployment at the state level? CSBS Senior Economist Tom Siems penned a blog late last week laying out the economic damage. According to Siems, this week’s addition of 4,427,000 new jobless claims suggests a potential real-time U.S. unemployment rate of roughly 19.5%. The job losses are enough to wipe out the entirety of the 114-month-long jobs expansion that begin after the 2008 Financial Crisis.

The states with the highest estimated unemployment include Hawaii at 28.4%, Kentucky at 28.1%, Pennsylvania at 27.7%, Michigan at 27.5% and Rhode Island at 27%. Of the larger states, California is the most impacted with unemployment rising from 4% to more than 20% since the start of the crisis.

**More News in Mortgage Servicing**

Over the last week, the federal agency that oversees Fannie Mae and Freddie Mac announced some relief for mortgage servicers and for lenders, but is it enough?

For lenders, the Federal Housing Finance Agency (FHFA) announced that if a borrower asks for forbearance on their mortgage, they should not be required to repay the amount missed in a single lump-sum at the end of the forbearance. This is because some mortgage servicers were telling clients interested in forbearance that they must do so. Instead, borrowers will be permitted to add the payments to the end of their mortgage.

For mortgage servicers, the FHFA announced that they will only require servicers to advance 4 months of payments on loans in forbearance. Previously, even if a borrower did not pay, a mortgage servicer would be required to pay investors.
Still, many regulators, industry members and members of Congress do not think this will be enough. Republicans and Democrats in the House and Senate have individually and as groups written letters to the Treasury and Federal Reserve urging the creation of a credit facility for mortgage servicers. Since the start of the crisis, CSBS has been urging the Fed to do the same.

CSBS President and CEO John Ryan repeated his call for a credit facility this week, saying in a statement:

“Mortgage servicers could face servicing advance obligations that far exceed those ever experienced or anticipated due to the sharp rise in unemployment and stay at home requirements. We ask that Congress create a credit facility, administered by the Federal Reserve, as a backstop to ensure servicers can finance the mortgage forbearance promised to customers by the federal government.”

Currently, Treasury Secretary Steven Mnuchin says that there is no plan to create a credit facility for nonbank mortgage servicers.

An Advisory for Consumers

State regulators have warned consumers about a surge in scams related to the COVID-19 pandemic. Scammers have posed as medical authorities offering prevention or treatment for COVID-19, as charities offering assistance to those affected by the virus, as debt counselors or attorneys, and even as mortgage or student loan servicers.

Agencies and consumer advocates are collecting information on these common scams and how to spot early warning signs. You can learn how to better protect yourself by visiting the CSBS COVID-19 Consumer Resources page linked in the show notes, which details the most common types of scams, provides information on government relief to consumers and links to useful resources for those economically impacted by the virus.
CSBS also knows that the current moratoria on evictions and foreclosures and the various mortgage forbearance programs may be confusing. We have produced a helpful chart to show how long forbearance and moratoria will last based on federal loan type. You can find details in the show notes.

In addition to CSBS resources, you can check the IRS homepage to learn more about the economic relief checks and see if you need to take any action to receive it. Also, if you are struggling to make on-time payments on your mortgage, the CFPB has provided a helpful video to explain how to take advantage of mortgage forbearance or the ability to pause or delay payments on your mortgage during the pandemic.

As you navigate this difficult financial time, put your trust in state and federal regulators – in your home state, at the CFPB, at the IRS and at other federal agencies – to provide you accurate and timely information. Be wary of imposters of these agencies and make sure you are on a legitimate government website when entering information.

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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COVID-19