

April 15, 2020

Governor Charlie Baker
State House
Boston, MA 02133

Dear Governor Baker,

We want to express our deep appreciation for your leadership during this crisis and for the steps you have taken to protect Massachusetts residents, particularly those most vulnerable to the health and economic impacts of this pandemic.

We are writing today because our organizations believe that we need a clear, consistent, comprehensive, and statewide plan on mortgage deferments. We call on you to use the full powers of Office of the Governor to get all lenders and mortgage servicers active in the Commonwealth to apply the same standards to all mortgages in all communities across the state.

Since late March there have been numerous plans and promises offered by lenders, secondary markets, and local, state and federal government agencies. While many of these plans have some common elements, it is already leading to significant consumer confusion about what to expect from a lender when seeking forbearance.

On March 25, 2020 your Division of Banks issued a message to Massachusetts financial institutions, mortgage lenders, and mortgage loan servicers regarding support for mortgage loan borrowers impacted by COVID-19.

In anticipation of significant disruption and financial hardship related to the COVID-19 pandemic, the Division fully expects all regulated financial institutions including Massachusetts chartered banks, credit unions, lenders, and servicers to alleviate the adverse impact of COVID-19 on those mortgage borrowers who demonstrate that they are not able to make timely payments due to financial hardship resulting from the effects of COVID-19."

The Division fully expects that institutions will implement all reasonable and necessary change to provide relief to those adversely impacted borrowers during this state of emergency, and continuing thereafter, as necessary. These actions include, but are not limited to:

- *Postponing foreclosures for 60 days;*
- *Forbearing mortgage payments for 60 or more days from their due dates;*
- *Waiving late payment fees and any online payment fees for a period of 60 days;*
- *Refraining from reporting late payments to credit rating agencies for 60 days;*

- Offering borrowers an additional 60-day grace period to complete trial loan modifications, and ensuring that late payments during the COVID-19 pandemic do not affect their ability to obtain permanent loan modifications;
- Ensuring that borrowers do not experience a disruption of service if the mortgage servicer closes its office, including making available other avenues for borrowers to continue to manage their accounts and to make inquiries; and
- Proactively reaching out to borrowers to explain the above-listed assistance being offered.

The Division emphasizes that reasonable and prudent efforts by your institutions during this outbreak to assist these borrowers given these unusual and extreme circumstances are consistent with safe and sound banking practices as well as in the public interest, and will not be subject to examiner criticism.

On April 2, 2020 the Massachusetts Housing Partnership issued guidance to its 43 participating lenders as follows.

As a SoftSecond or ONE Mortgage lender we encourage you to provide any homeowners experiencing a financial hardship due to or exacerbated by the COVID-19 crisis with the following deferment/forbearance options:

- Provide at least three months of loan deferment/forbearance, with an option to extend for longer periods if needed.
- Advance property tax and insurance payments during the deferment/forbearance period.
- Agree to not report the loan as a troubled debt restructuring (TDR), not report the loan to credit bureaus as being late, and not charge the borrower late fees during the deferment period.
- Keep the borrower's total monthly payments the same before and after deferment period, except for scheduled payment increases for borrowers with MHP interest subsidy, and extending the term of the loan one month for each month of deferment. Typically MHP would expect accrued interest to be paid first after the deferment period followed by normal amortization, though we recognize that some lenders may need to handle this differently based on the limitations of their loan servicing systems.

Last week, Mayor Walsh announced a plan with thirteen lenders that covers mortgage loans in the city of Boston. Those lenders agreed to:

- Provide at least three months in a loan deferment for homeowners, with the option to extend for longer periods, if needed. Advance taxes and insurance during the deferment if taxes and insurance are normally escrowed and paid as part of the mortgage payment. And, have a goal of approving deferments within 21 days of application and with only essential paperwork needed from the homeowner.
- Not report the workout/loan as a Troubled Debt Restructure (per Section 4013 of the CARES Act) nor report it to the credit bureaus as being a late loan and not charge late fees on the late loan payments or deferments.

•After the deferment concludes, homeowners will not be required to pay the total deferment/forbearance amount in a lump sum. Lenders will offer one of the following plans to repay the deferred amount:

- Homeowners can pay off the interest owed from the deferment period in the first months after the deferment concludes, as part of their regular mortgage payment, until interest and any insurance/taxes owed during the deferment period are paid off; or
- Lenders will allow a zero percent interest payment/loan for the amount owed during the deferment. The original loan will then amortize over its remaining term with monthly payment amounts remaining the same (unless taxes and insurance change); or
- Lenders will extend the length of the loan term or undertake other options which will not harm the homeowner, to account for the deferred payments.

Unless it is advantageous to the homeowner or the amount of taxes and insurance payments change, the homeowner's total monthly payment amount will remain the same as pre-deferment.

•Notify the BHC of any homeowner (with the homeowner's consent) within Boston where all loss mitigation options have been exhausted and a referral to foreclosure has been started.

•Revisit this plan with the Boston Home Center and its partners in two months to understand its impacts.

Our organizations believe that we need a comprehensive, statewide plan on mortgage deferments similar to the one announced by the City of Boston on April 9, 2020 which is consistent with the principles in MAHA's five point plan for lenders released on March 25, 2020. We believe it is a best practice that should apply to all homeowners in the Commonwealth. We call on you to use the full powers of Office of the Governor to get all lenders and mortgage servicers active in the Commonwealth to apply these standards to all mortgages throughout the state.

We stand ready to work with your staff and various agencies of state government to implement such a statewide plan and protect all homeowners in the Commonwealth impacted by income disruption from COVID-19.

Sincerely,



Thomas Callahan
Executive Director
MA Affordable
Housing Alliance



Rachel Heller
Chief Executive Officer
Citizens Housing &
Planning Association



Joe Kriesberg
President and CEO
MA Association
of CDCs