Enhancing Disaster Response Capabilities

The recent increase in the scope and frequency of natural disasters in the United States calls on the mortgage industry to remain on alert, and have the tools necessary to promote preparedness and to provide short-term mortgage relief and long-term repayment strategies for victims of natural disasters. To deliver relief fairly and consistently, the industry needs a common playbook across all the federal agencies and guarantors as well as consistent standards of property preservation and hazard mitigation programs.

OVERVIEW

- After a disaster hits, immediate relief for homeowners commonly consists of forbearances, foreclosure moratoriums, waived late fees, and suspension of negative credit reporting. Servicers follow guidelines from investors, insurers, and guarantors when offering disaster mortgage payment relief.
- Some disaster relief options automatically begin after an impacted area receives a Presidential Declaration and typically last up to 90 days, with opportunities for extension based on conditions on the ground.
- Disaster forbearances offer important relief to borrowers, and the borrower needs to work with the servicer at the end of forbearance to repay the payments forborne. This usually involves a loan modification.
- Consistency between investors and insurers in disaster loan modifications is important, as victims of disasters look to be treated equally, and be granted the same assistance as other victims in their neighborhood.

IMPACT

- Successful disaster recovery policies can preserve homeownership and prevent homelessness, post-disaster blight, and community abandonment.
- Regulatory consistency between investors and insurers leads to faster response times and greater equality in assistance.
- Clear and consistent property preservation guidelines prevent unnecessary losses of real property and investment.

For more information, visit mba.org or call (202) 557-2700.
MBA’S POSITION / NEXT STEPS

• Cooperation and coordination between industry and government is critical for both short-term relief for customers and long-term recovery of the impacted communities. Regulatory consistency and clarity are vital as we work together to rebuild our communities. Through focus on the urgent financial needs of mortgage customers affected by natural disasters, we can address the severe impacts on properties and communities.

• Make toolkits permanent. Investors and insurers expanded their toolkits in 2017 and 2018 to help borrowers impacted by specific events by:
  o Eliminating/minimizing customer documentation requirements
  o Implementing additional options to provide greater payment reduction, including expanded use of principal deferment
  o Removing restrictions on loss mitigation options such as loan seasoning, prior modifications, requirements for repairs to be completed, etc.

These changes made a big impact on the ability of borrowers to rebuild and recover but were either event-specific or time limited. Survivors of natural disasters need information about available options quickly and should not have to wait for new guidance to be issued after each event. Simple, clear and aligned disaster response policies across all federal programs – FHA, VA, RHS, the GSEs and the federal banking agencies – will strengthen the industry’s ability to deliver effective relief to impacted families.

• Support policies that encourage immediate property inspections, preservation, and repairs
  o Inspecting Properties – Facilitate prompt property assessments by making FEMA inspections reimbursable for all loan types.
  o Remove barriers and shorten waiting periods for re-inspecting properties with loans in process.
  o Repairing Properties – Allow prompt completion of repairs by increasing amounts for claim disbursements within disbursement tiers and reducing inspection requirements.

• Support policies to foster long term recovery
  o Streamline the options for customers who do not wish to remain in their homes by expanding eligibility requirements for deed in lieu, third party sales, and other programs.