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Rebeca Romero Rainey, *President and CEO*

April 10, 2020

The Honorable Stephen Mnuchin  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, DC 20220

The Honorable Mark Calabria  
Director  
Federal Housing Finance Agency  
400 7<sup>th</sup> St SW  
Washington, DC 20219

The Honorable Jerome Powell  
Chairman  
Federal Reserve Board of Governors  
20<sup>th</sup> St and Constitution Avenue  
Washington, DC 20551

Dear Secretary Mnuchin, Chairman Powell, Director Calabria:

On behalf of the more than 5,000 community banks in the United States, ICBA thanks you for your work to support the banking system and our economy, and to help maintain the flow of mortgage credit to communities across the country. ICBA members depend on the liquidity, stability, and access to funding provided by Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System (FHLB).

While ICBA is supportive of many of the actions the Administration, the Federal Reserve and Federal Housing Finance Agency have taken to mitigate the disruption affecting the mortgage lending and servicing process during the COVID-19 pandemic, we are concerned that provisions in the recently signed CARES Act regarding forbearance, as well as recent guidance from FHFA and the Government Sponsored Enterprises (GSEs) on forbearance could put a severe strain on mortgage servicers that will still be required to pass through principal and interest payments to the GSEs on loans that are in forbearance.

While the level of forbearance requests on GSE loans has been lower than those for other federally backed mortgages, the numbers are growing quickly as more Americans are impacted by the COVID emergency. As the crisis continues to force businesses to close or greatly reduce

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WASHINGTON, DC  
1615 L Street NW  
Suite 900  
Washington, DC 20036

SAUK CENTRE, MN  
518 Lincoln Road  
P.O. Box 267  
Sauk Centre, MN 56378

866-843-4222  
www.icba.org

hours of operation, more and more Americans will experience economic hardship and will need to seek the help outlined in the CARES Act. Those who are working today or are considered essential workers may still face loss of income or have to deal with healthcare costs connected to the COVID virus and will need to seek forbearance on their mortgage loan payments and other debts. Moreover, since conventional mortgages represent most mortgages Americans use to buy or refinance their homes, it stands to reason that mortgage servicers in this sector could experience substantial forbearance requests, which they are bound by law to grant.

Community banks have already started granting forbearance on various types of credit, including mortgage loans that they service for the GSEs as well as for their own portfolios. Loss of revenue from deferred payments, combined with lower levels of other revenue-generating activities will cause community banks to seek alternative sources of liquidity. While many community banks can access the FHLB System for liquidity, even those facilities will be stretched as more Americans become unemployed and seek forbearance.

ICBA strongly urges the establishment of a liquidity facility to support all mortgage servicers. Putting mortgage servicers at risk of failure will cause disruption and further harm to our economy, likely to result in serious repercussions long after the COVID crisis is over and a higher concentration of mortgage servicing in the handful of larger, systemically risky, too-big-to-fail participants.

The mortgage lending ecosystem thrives because of the diverse nature of all its participants, both depositories and non-banks. Financial failure of otherwise healthy institutions must be prevented, especially as those institutions work to deliver the aid and relief that the government has directed them to provide.

I thank you for your support and leadership and look forward to working with you on this issue and others as we move through this current crisis.

Sincerely,

/s/

Rebeca Romero Rainey  
President and CEO

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