

June 2, 2021

The Honorable Mark A. Calabria  
Director  
Federal Housing Finance Agency  
400 7th Street, SW  
Washington, D.C. 20219

Hugh R. Frater  
Chief Executive Officer  
Fannie Mae  
Midtown Center  
1100 15th Street, NW  
Washington, D.C. 20005

Michael J. DeVito  
Chief Executive Officer  
Freddie Mac  
8200 Jones Branch Drive  
McLean, VA 22102

Dear Director Calabria, Mr. Frater, and Mr. DeVito:

On behalf of the clients, communities, and industries we represent, we urge Fannie Mae and Freddie Mac to amend the Flex Modification guidelines to extend the benefit of a lower interest rate to borrowers with mark-to-market loan-to-value (LTV) ratios below 80%. This program feature is currently available for borrowers with LTV ratios greater than 80%, who may receive a Flex Mod with the Fannie Mae or Freddie Mac modification rate if it is lower than the note rate on their mortgages. This proposed amendment to the Flex Modification program will provide a means to further reduce the monthly mortgage payments for borrowers who may have equity in their homes, but who need additional payment relief, as they recover from hardship associated COVID-19.

This change addresses the unique circumstances of borrowers affected by the pandemic, who were otherwise current on their mortgages and who had accumulated some equity in their homes. The current Flex Modification policy reflects assumptions that were relevant during the Great Recession, when many borrowers experienced declining house prices and, as a result, increasing LTVs. Today, in contrast, a great majority of Fannie Mae and Freddie Mac borrowers have substantial equity in their homes, including borrowers facing COVID hardships. According to data from Black Knight, even factoring in borrowers with eighteen months of deferred payments, more than 80% of Fannie Mae and Freddie Mac borrowers in forbearance have LTVs below 80%.

As a result, the current Flex Modification policy limits the ability of borrowers facing COVID hardships to obtain deeper payment relief. Further, if they have previously required a modification due to a financial hardship, the minimal term extension available may lead to an increase in the principal and interest payment (blocking them from any Flex Modification).

Because of these limited options, we request that Fannie Mae and Freddie Mac modify the program to allow additional payment reduction using the GSE modification interest rate for all Flex Modification transactions, regardless of LTV. This change would provide all homeowners an affordable loan modification, even those with an equity cushion. The dire alternative, pushing these borrowers out of homeownership, would damage their long-term financial prospects and would likely exacerbate the racial wealth gap.

We urge Fannie Mae and Freddie Mac to announce this change no later than June 15, 2021 because of the imminent wave of borrowers exiting forbearance plans. According to data from Black Knight, over 375,000 GSE borrowers will hit their maximum allowable 18 months of forbearance between August and December of 2021<sup>1</sup>, and those GSE borrowers that exit forbearance then should have access to an updated Flex Modification. A quick announcement making this change would allow servicers sufficient time to implement any program changes by August 31, 2021 still ahead of the largest group of borrowers exiting forbearance plans. Swift action from the Enterprises and FHFA is needed.

We thank you for your commitment to helping homeowners during the pandemic and for your consideration of this recommendation.

Sincerely,

Americans for Financial Reform Education Fund  
Community Bankers Association  
Community Home Lenders Association  
Consumer Federation of America  
Consumer Action  
Center for Responsible Lending  
Housing Policy Council  
Independent Community Bankers of America  
National Consumer Law Center (on behalf of its low income clients)  
National Community Reinvestment Coalition  
National Community Stabilization Trust  
National Fair Housing Alliance  
National Housing Law Project  
National Housing Resource Center

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<sup>1</sup> Black Knight data shows the following number of GSE borrowers will hit the maximum of 18-months of allowable forbearance in 2021: June-5,000; July-8,000; August-27,000; September-174,000; October-91,000; November- 46,000; and December-35,000.