Opening Statements

Chairman Crapo (R-ID) stated that COVID-19 has many landlords and renters struggling. He discussed all the CARES Act provisions that help homeowners, noting moratoriums on evictions for those in government programs or under government funded mortgages. Crapo stressed that homeowners will not owe a lump sum at the end of forbearance. He explained that HUD has expanded issuer assistance to include Pass Through Assistance Program (PTAP) and mortgage servicers will not be responsible for advancing more than four months of missed principle and interest payments. He emphasized that he is focused with working on HUD and FHFA on lifting burdensome regulations.

Ranking Member Brown (D-OH) discussed the current racial strife in the country. He asserted that essential workers are paid too little and cannot even afford to their own apartments. He expressed that there is a need for more equity in homeownership and Wall Street. Brown accused the FHFA of refusing to undo racial equality and that both agency heads were making it harder for minorities to buy homes. Finally, he stated that the government neglected to protect minorities from predatory lenders and the economy was already broken for millions of minorities.

Witnesses

The Honorable Benjamin S. Carson, M.D. Secretary, U.S. Department of Housing and Urban Development

Noted the unprecedented impact of COVID-19. Carson disused the moratorium on foreclosures until June 30th, the FHFA announcing a tailored relief program for those with government mortgages. And extended six months of forbearance. He explained that FHFA implemented options for eligible homeowners to defer repayment until the end of the mortgage and noted that changes in PTAP program by Ginne Mae to help homeowners. Carson emphasized that White House Opportunity and Revitalization Counsel would have a renewed focus on inequality in housing issues for minority communities.

The Honorable Mark A. Calabria, Ph.D. Director, Federal Housing Finance Agency

Said the FHFA’s actions continue to be data driven noting that they suspended all foreclosures and eviction to June 30th which can be extended as necessary. He stressed that no lump sum payment would be required at end of forbearance. He reported that he was encouraged by data about the state of the market, but Fannie and Freddie still lack sufficient capital to withstand a serious downturn in housing markets. He explained that the new proposed capital rule will help Fannie and Freddie.
Chairman Crapo (R-ID) asked the witnesses how they would characterize the current state of housing markets and what policy tradeoffs there would be in response to the pandemic. Carson said this was serious time period, noting that quick enactment of forbearance measures for homeowners had very positive impact. Carson went on to explain that the underlying economic infrastructure of the US is very strong. He mentioned that the underlying factors are still there, and that HUD’s policies will hopefully resume the market boom. Calabria had worried about a spike in forbearance rates in June but that had not come to pass, he noted that one third of borrowers continue to make payments which is great. Calabria emphasized that the Government needs to figure out how to put people back to work which he said is the best way to fix issues in the housing market. Calabria had been pleasantly surprised by home sale numbers and mortgage purchase activity, he thought the housing market is strong and the labor market is what needed fixing.

Ranking Member Brown (D-OH) noted that essential workers do not make enough to afford apartment on their own. He asserted that HUD had decided to not enforce the fair housing law, worrying that there had been regression in fair housing. He stated that 45 civil rights groups had told HUDs proposed disparate impact rule was in direct contradiction to HUDs mission. Carson said he abhors unfairness but wanted programs and rules that work, explaining that the real reason there is issues is because people can afford housing only in certain places. Carson asserted that HUD is trying to build affordable housing in all areas. Brown responded that there is no evidence you are doing this.

Sen. Scott (R-SC) talked about the issue of evictions. He worried that the moratorium might make it harder on renters and borrowers, because they would be accruing more and more money that they will owe. Carson said that HUD will strive to create an environment from a few months ago when people had opportunities and were able to pay their mortgages and rent, mentioning that the best way to accumulate wealth is to own a house. Calabria said the focus should be on labor markets so people can have income, but he did note the importance of affordable housing and forbearance. Scott asked for updates on forbearance plans. Calabria said that 6.6% of GSE loans were in forbearance and that one third were still paying. Reed stressed that there are still too many unprotected mortgages even with forbearance and called for extended unemployment compensation. He stated that the Trump administration should talk more about creating affordable housing.

Sen. Reed (D-RI) expressed concern that after forbearance ends thousands of people could be foreclosed on. Calabria explained that Fannie and Freddie loan holders will not be required to pay lump sums and will have no change in their monthly payments. Reed stressed that there are still too many unprotected mortgages even with forbearance and called for extended unemployment compensation. He stated that the Trump administration should talk more about creating affordable housing.

Sen. Cotton (R-AR) concerned about mortgages services going out of banks into independent servicers. He worried that forbearance mandates could end up causing dislocation. Cotton then asked about the forbearance take up right that might bring mortgage services industry to its limits. Calabria responded that they get the data on non-bank servicers, that Fannie and Freddie
do business with, and FHFA is monitoring them closely. Calabria was happy to say that their heightened watch list is shorter than it was two months ago. He went on to explain that services are in better financial position then they were in March. He estimated that forbearance rates would need to be 30% before they became a problem at Fannie and Freddie but not necessarily at other institutions.

**Sen. Menendez (D-NJ)** wondered when HUD plans to release remaining CDBG funds. Carson answered that the first time it was released it was done in a record amount of time and of the 12.4 billion 9.1 billion has been allocated. Menendez advocated for the funds being released before the October 1st statutory deadline. Menendez asserted that DACA eligibility had been changed and concealed by HUD, Carson denied this.

**Sen. McSally (R-AZ)** asked the witnesses to explain how forbearance is designed to work and how to ensure that lenders and services are following the laws. Calabria responded that they have drafted a script that Fannie and Freddie send to all their servicers. McSally asked about the difference between payment deferment plan and forbearance. Calabria said forbearance is not loan forgiveness but tacked on to end of mortgages and payment deferral is only for when forbearance ends. Carson emphasized that renters should be in close contact with their landlords to work issues out.

**Sen. Tester (D-MT)** asked about CARES Act’s CDBG money. Carson said the rest of the money will be announced today. Tester was upset it took this long, he then asked about rental forgiveness. Carson said people who do not have jobs can try to readjust their rent based on their income. Tester also asked about people who have loans on houses who have renters that cannot pay. Carson responded that PPP is working for people in this situation. Tester asserted that despite eviction bans landlords are still evicting. Calabria said he has not seen evidence that these are Fannie or Freddie backed, he explained FHFA does not have any jurisdiction to enforce no evictions, other than withholding forbearance for servicers in government programs if they are found to be in violation of the program.

**Sen. Moran (R-KS)** expressed concern about FHFA’s enterprise capital reproposal noting that there is a confusing disparity between how risk waiting is applied to single family versus multifamily. As he understood it FHFA applied the rule to single family based on the 2008 crises but did not do the same for multifamily. Moran was surprised that reproposal indicates that the risks are higher to multifamily when it is in fact that single family is more at risk. He asked why FHFA is punishing multifamily in comparison to single family. He mentioned that Calabria had previously stated that FHFA may be over financing multifamily housing, asking if these two things are related. Moran stressed that he wanted to make sure a risk calculation was being based on facts and not a desire to reduce financing for multifamily. Calabria agreed with him and said it should be driven by facts. He explained that there is a pre exiting multifamily activity cap and there is the capital rule treatment of multifamily, which are two different things. Calabria went on to discuss that the current reproposal’s multifamily part is similar to a 2018 proposal. He said that while the reproposal attempts to use more bank like language, and that the average risk weights on both single family and multifamily in the proposed rule are driven by the composition of the loans. Calabria mentioned that the composition of both single and multifamily loans is
different than it was in 2008. He was happy that multifamily performed well during this crisis. He explained that the cap has kept Fannie and Freddie at the highest point of market share they had in decades. Fannie and Freddie do have a significant amount of senior and student housing in multifamily sector that he was concerned about which raises the possibility of different kind of crisis than the last one. Lastly Calabria emphasized that this is just a proposed rule and they are still accepting comments.

**Sen. Schatz (D-HI)** asked if they are considering extending protections. Calabria responded that under the CARES Act they have to provide forbearance for single families based on an honor system, for multifamily the requirements are in exchange for forbearance there will be no nonpayment of rent or evictions. Calabria explained that Congress would have to amend the CARES Act to apply same thing to single family. Schatz asked about time frame for extending foreclosures past the end of June. Calabria said it will be released in the next week.

**Sen. Van Hollen (D-MD)** wondered if it made sense to extend enhanced unemployment insurance. Carson said yes and Calabria said there are tradeoffs with this. Van Hollen asked if there is way to expedite recertification of income so rent can be lowered for people. Carson responded that HUD is working on this. Finally, Van Hollen asked about proposed capital rules for GSEs, noted a study that said it could raise costs for lower income people. Calabria disagreed with that analysis, saying that the Moody’s study was biased.

**Sen. Cortez Masto (D-NV)** mentioned an Urban Institute paper that says COVID-19 is exacerbating housing inequalities. Both witnesses agreed with this. She then asked if HUD is looking at demographic data to shape policy. Carson responded that they are. Cortez Masto pushed Carson for specifics and Carson responded that an all of government response was needed.

**Sen. Jones (D-AL)** asked about Radon testing and worried about public housing authorities while they are waiting for sufficient funds to fix the issue, they could end up being punished for doing the right thing. Carson said they will punish them if they are ignoring state laws, he also noted that money has been appropriated to address the issue. Carson explained if the housing authority acknowledged the problem and were attempting to fix it, they would not be punished.

**Sen. Warner (D-VA)** asserted that aside from GSEs the rest of the market has not been doing well. He asked how much longer it would take to get the GSEs out of conservatorship because of the pandemic. Calabria said that the pandemic will delay the exit from conservatorship about three to four months.

**Sen. Smith (D-MN)** talked about George Floyd’s death and systemic racism in police forces. Smith accused HUD of undermining fair housing. In response to a question about homelessness amongst Native Americans Carson said yes, they deserve more funding because of the disproportionate affect inequality has on them.

**Sen. Sinema (D-AZ)** expressed concern that HUD was not doing enough to help people in need. Carson said that there needs to be less regulation in Arizona to help people afford homes, Sinema pushed back against this notion. She stressed that she HUD to provide more empathy.
Sen. Menedez (D-NJ) asked why HUD excluded DACA recipients from FHFA loans stating that they did change the rules. Carson said they will investigate why this happened and that he will work with Menendez to fix this issue.

Sen. Brown (D-OH) noted that few people have lost their homes, but black and brown renters are particularly in trouble. Brown relentlessly attacked Carson for rolling back housing reforms.