

# Impact of COVID-19 Forbearances

*How much liquidity is needed for advances?*

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# CARES Act Forbearance – Background

- Forbearance options under CARES Act:
  - Up to 180 days of initial forbearance
  - Can be extended up to another 180 days
- Eligibility:
  - All federally-backed single-family mortgages
  - Stated hardship due to COVID-19

# Aggregate monthly payments for GSE and Ginnie Loans

	Ginnie		GSE		Total	
	Bank	nonbank	Bank	nonbank	Bank	nonbank
<b>Origination Outstanding UPB</b>	\$658,362,925,000	\$1,498,029,600,000	\$2,708,173,200,000	\$2,127,994,200,000	\$3,366,536,100,000	\$3,626,023,800,000
<b>Average Note Rate</b>	4.26%	4.16%	4.06%	4.15%	4.11%	4.16%
<b>Average Original term (months)</b>	331.69	323.45	313.02	323.42	317.21	323.44
<b>LTV original</b>	96.5%	96.5%	77.0%	79.0%	80.0%	88.3%
<b>FICO original</b>	699	678	761	754	752	723
<b>DTI original</b>	38.7	41.2	34.0	36.0	34.4	38.0
<b>original aggregate property value</b>	\$682,241,373,057	\$1,552,362,279,793	\$3,517,108,051,948	\$2,693,663,544,304	\$4,199,349,425,005	\$4,246,025,824,097
<b>Monthly aggregate P&amp;I payment</b>	\$3,380,815,988	\$7,710,610,994	\$14,040,339,578	\$10,941,632,706	\$17,421,155,567	\$18,652,243,700
<b>Monthly aggregate T&amp;I payment (2%)</b>	\$1,137,068,955	\$2,587,270,466	\$5,861,846,753	\$4,489,439,241	\$6,998,915,708	\$7,076,709,707
<b>Monthly FHA MIP payment (85 bps)</b>	\$279,804,243	\$636,662,580			\$279,804,243	\$636,662,580
<b>Total Monthly payment (PITIMIP)</b>	\$4,797,689,187	\$10,934,544,040	\$19,902,186,331	\$15,431,071,946	\$24,699,875,518	\$26,365,615,987
<b>TI and MIP share of PITI</b>	29.53%	29.48%	29.45%	29.09%	29.47%	29.26%

Source: eMBS and Urban Institute

# Financial impact of forbearance – How much liquidity is needed ?

Forbearance Take-Up Assumption	Ginnie Mae	GSEs
Base case	18%	9%
Worst case	36%	18%

## Monthly Funding needed for advances

1 month	Ginnie		GSE		Total	
	Banks	Nonbanks	Banks	Nonbanks	Banks	Nonbanks
Base case	\$863,584,054	\$1,968,217,927	\$1,791,196,770	\$1,388,796,475	\$2,654,780,823	\$3,357,014,402
Worst case	\$1,727,168,107	\$3,936,435,854	\$3,582,393,540	\$2,777,592,950	\$5,309,561,647	\$6,714,028,805
<b>3 months</b>						
Base case	\$2,590,752,161	\$5,904,653,782	\$5,373,590,309.49	\$4,166,389,425.49	\$7,964,342,470	\$10,071,043,207
Worst case	\$5,181,504,322	\$11,809,307,563	\$10,747,180,618.98	\$8,332,778,850.97	\$15,928,684,941	\$20,142,086,414
<b>6 months</b>						
Base case	\$5,181,504,322	\$11,809,307,563	\$10,747,180,619	\$8,332,778,851	\$15,928,684,941	\$20,142,086,414
Worst case	\$10,363,008,643	\$23,618,615,127	\$21,494,361,238	\$16,665,557,702	\$31,857,369,881	\$40,284,172,829
<b>12 months</b>						
Base case	\$10,363,008,643	\$23,618,615,127	\$21,494,361,238	\$16,665,557,702	\$31,857,369,881	\$40,284,172,829
Worst case	\$20,726,017,286	\$47,237,230,254	\$42,988,722,476	\$33,331,115,404	\$63,714,739,762	\$80,568,345,658

### Total liquidity needed:

- \$18 billion to \$72 billion (base case, 3 to 12m)
- \$36 billion to \$144 billion (worst case, 3 to 12m)

Source: eMBS and Urban Institute

Notes: Base case take-up assumption informed by estimated Q2 consensus unemployment rate of 12-15%, MBA Survey showing 5.9% of Ginnie and 2.4% of GSE loans were in forbearance as of April 5th.

# What would forbearance mean for borrowers and servicers?

- Servicers will likely face liquidity crunch and insolvency risk absent liquidity support
- Borrowers will receive pay relief immediately; but servicer failures will cause confusion/harm, especially if servicing is transferred
- Ginnie Mae has announced a COVID-19 Pass-Through Assistance Program (PTAP/C19) to cover forborne P&I advances.
- How several risks remain:
  - PTAP doesn't solve everything – Most large servicers have both Ginnie and GSE books. Absent FHFA or Fed announcing a liquidity facility, the risk is that GSE books will become the source of servicer stress and market disruption
  - GSEs are about 2/3 share of agency outstanding. Under insolvency, both Ginnie Mae and GSE servicing will need to be transferred
  - PTAP assistance doesn't cover T&I or FHA MIP, which can also cause liquidity crunch. T&I plus MIP is about 30% of aggregate monthly payment

# Longer term implications of COVID-19 crisis

- Servicer failures will take origination capacity out of the market, tightening credit
- Mortgages will become difficult to get and cost more, as happened post-2009
- Inability to get mortgage credit will be a drag on recovery even after COVID-19 is contained. This will prolong the recovery

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