#HelpStartsHere

Guiding Current and Future Homeowners During a Crisis

Resources and education for lenders and housing professionals

Freddie Mac
Single-Family

Content

Addressing Unique Challenges During the COVID-19 Pandemic

Assessing Income Amid a Pandemic

New, Temporary Guidance: Providing Clarity and Support

Since March 2020, with guidance from the Federal Housing Finance Agency (FHFA) and in alignment with Fannie Mae, Freddie Mac announced temporary policy changes and provided guidance on assessing income, including:

- Permitting alternative methods of 10-day preclosing verifications of employment.*
- Requiring a confirmation that the self-employed borrower's business is open and operating within 10 days before the note date.*
- Providing additional documentation requirements and guidance for establishing self-employed borrowers' income stability.*
- Addressing frequently asked questions on employed income and COVID-19-related temporary business closures, layoffs and furloughs, fluctuating employment earnings, and self-employed income.

* These temporary requirements and flexibilities have since been extended with succeeding *Freddie Mac Single-Family Seller/Servicer Guide* (Guide) Bulletins. Please visit the Freddie Mac COVID-19 resource page for updates to the effective dates and additional resources.

Employment Trends

The **high unemployment rate** has been driven by closures of businesses due to COVID-19 safety measures.

In October 2020, the **unemployment rate declined to 6.9%** or 11.1 million persons.

What Do Lenders Look at When Determining Whether a Borrower Qualifies?

Sources of income + Monthly debt = Mortgage qualification

If lenders plan to sell the loan, government-sponsored enterprises **(GSEs) and other investors generally look at income in terms of**:

- **Stability:** How long has the borrower had this income and is it expected to continue in the foreseeable future?
- **Consistency:** Is the level of income consistent from month-to-month?

Checklist: Fine Tune Your Disaster Preparedness Plan

Before a Crisis: Build and Test

- [x] Consider developing a disaster plan based on recent and other experiences before a potential crisis event occurs.
- [x] Ensure the plan is communicated across the organization.
- [x] Test the plan so it can be seamlessly implemented.

During a Crisis: Implement

- [x] Keep an updated list of available resources for employees and borrowers.

After a Crisis: Assess and Adjust

- [x] Evaluate whether the plan worked as intended.
- [x] Uncover areas where plans could be strengthened.
- [x] Implement potential changes and learnings.
- [x] Explore available resources.

Mitigate Uncertainty

Prior disasters can provide insight into creating business continuity plans that bolster operations and provide support in the wake of a largescale event.

Crisis Resources for Lenders and Housing Professionals

A disaster—regardless of type—can set back potential borrowers and homeowners in many ways.

Keeping them informed of resources and available options during times of need is important to help them attain and/or sustain homeownership.

As lenders and housing professionals develop continuity plans and a playbook, they should foster awareness and understanding of available resources.

COVID-19 Preparedness

According to a 2020 *Forbes Insights* Report: *Turning Crisis into Opportunity*, 13% of survey respondents said they were not prepared for the COVID-19 pandemic and were handicapped in their response.

Download the full report to see how your organization compares

MORTGAGE OPTIONS AVAILABLE

NONPROFIT HOUSING ORGANIZATIONS

FINANCIAL EDUCATION OPPORTUNITIES

ECLOSE OPTIONS TO ADDRESS SOCIAL DISTANCING

How Lenders Are Approaching the Appraisal Process

While the industry addresses general pandemic challenges and adapts to new ways of doing business, how are lenders approaching the home appraisal process today?

1 Smart, New Workarounds and Steps in the Appraisal Process

Considered essential workers amid most stay-at-home orders and restrictions, appraisers are taking important steps to continue safely performing in-home appraisals.

→ Appraisers can follow COVID-19 pandemic protocols if they make just a few adjustments, – e.g. social distancing, wearing masks, washing hands, and sanitizing spaces.

→ Appraising a home is often a relatively solitary process, and therefore, inherently safer than these other housing activities.

2 Clearing Up Confusion About Appraisals

Flexibilities go a long way to helping appraisers stay safe. By broadening guidelines and allowing desktop and exterior-only alternatives, lenders and appraisers have additional options.

Lenders don't have to show they ordered an interior appraisal. They can use any of the flexibilities offered.

Temporary Support for Home Purchase Appraisals

Temporary policy shifts by the GSEs and federal home lending programs are intended to accommodate COVID-19 safety concerns by allowing exterior-only appraisals, also known as drive-by appraisals, and desktop appraisals.

How Do Exterior-Only Appraisals Work?

In some cases, there has been a limited expansion of appraisal waiver programs that allow lenders to sell eligible loans without an appraisal. But when it comes to desktop appraisals, they use the following in lieu of on-site property inspections.

- Public records
- Multiple listing service information
- Other third-party data sources

Get the latest guidance on which flexibilities apply

Quotable Perspectives: Appraisals in a Challenging Environment

There are rumors out there that you can't get people to enter houses and that you can't get appraisals. But the data is showing that business is moving along at a relatively steady clip. The majority of the time, lenders get a regular, in-person appraisal.

Danny Wiley
Senior Director of Property Valuation
Freddie Mac Single-Family

To help ease concerns and provide a way for lenders to continue to lend in smart and safe ways, the GSEs implemented temporary flexibilities to property, eligibility and appraisal requirements. These flexibilities were primarily designed with the health and safety of appraisers and homeowners in mind, and also to convey that we will always take a traditional appraisal but there are options.

Scott Reuter
Director of Property Valuation
Freddie Mac Single-Family

Managing the Impact of Social Distancing with eClose

Closing loans electronically can help housing professionals to continue serving their clients while allowing involved parties to adhere to social distancing guidelines. There are two primary variations of the eClosing process:

Hybrid eClose

- Borrowers sign some of the loan documents electronically.
- Borrowers wet-ink the remaining loan documents.

Complete eClose

- Borrowers sign all loan documents electronically.

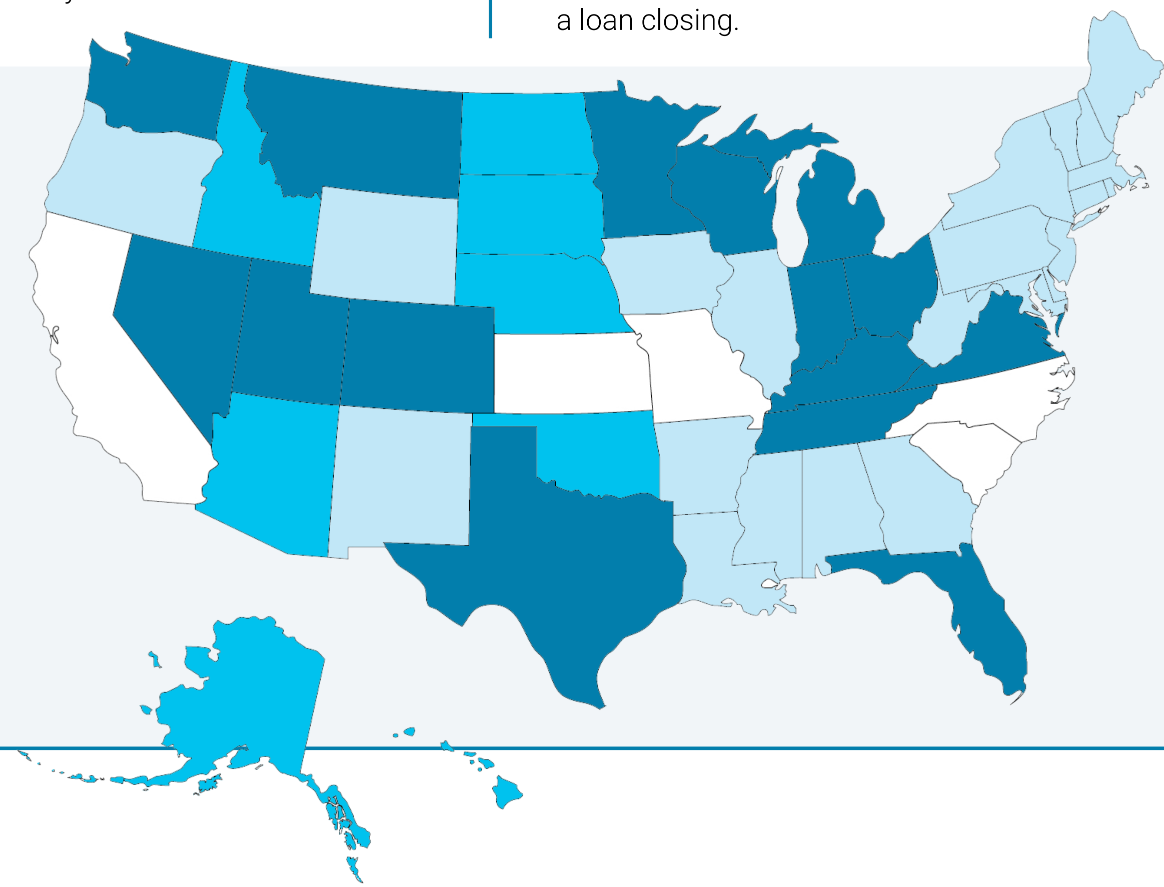
Remote Online Notarization

In a growing number of states, borrowers can eClose their loans by signing documents electronically via a live two-way secure video hookup with a remote located notary who digitally stamps the loan documents, known as remote online notarization (RON).

What's the benefit of RON during social distancing? Borrowers, closing agents and notaries can come together in a secure online environment to complete a loan closing.

REMOTE ONLINE NOTARIZATION ADOPTION

- States with Enacted RON Laws and Rules
- States with Enacted RON Laws
- States Enabling Through Temporary Executive Order or Law



Source: Mortgage Bankers Association (MBA)

Supporting Borrowers Amid Uncertainty

Helping Low-Income Homeowners Overcome Barriers to Refinancing

With mortgage rates holding steady at or near record lows, refinancing continues to be a powerful tool to lighten the debt burden of most homeowners. Unfortunately, lower-income borrowers often hold back on striking a better deal through refinancing, and lenders may not recognize the extent to which refinancing improves the odds of sustainable homeownership for this customer group.

However, by working with consumers to address their misconceptions regarding refinancing, housing professionals can help eligible low-income borrowers take full advantage of this historic opportunity to lower their monthly mortgage payments and better position themselves financially today.

Low-income homeowners may be unsure if they can refinance their mortgage, or they may believe the rules preclude them from switching out a higher-rate loan with a less-costly one. And some may perceive that lenders aren't motivated to do business with them as refinance customers.

Ways to Promote Refinancing

- Launch an awareness campaign dispelling the refinancing myths and spelling out benefits.
- Provide educational materials on how proceeds from a cash-out refinance can fund repairs, renovations or energy efficiency upgrades.
- Take advantage of engaging channels, such as podcasts, to educate homeowners.

How Can Refinancing Make a Meaningful Difference for a Low-Income Household?

1% reduction in interest → $125,000 + 30-year mortgage → $70 in monthly savings or $840 annually

October 2020 Real Estate Trends

- New houses sold: 999,000
- New houses for sale: 278,000
- Median sales price: $330,600

Source: U.S. Census Bureau, HUD, November 25, 2020. Seasonally adjusted rates.

Resources Every Real Estate Pro Should Explore in Today's Market

There are resources out there—accessible through lenders, state and local groups—that can help real estate professionals and their clients clear the affordability obstacle.

1 Understand the benefits of growing your network of trusted lenders with down payment assistance programs.

- Grants to help with closing costs, including title insurance, recording fees and appraisals. A borrower also may be able to buy discount points with this money to lower their rate.
- Cash toward a down payment—up to $10,000 or 3% of the purchase price—whichever is less.

2 Partner with a community housing counselor.

A relationship with a housing counselor opens the door to early homebuyer education for borrowers to prepare them to purchase and become responsible and sustainable homeowners in their communities.

3 Make connections with state housing finance agencies (HFAs).

- The HFA will provide you with a list of lenders that offer its specific affordable loan product (which can vary by state).
- If a trusted lender isn't on the list, real estate professionals can connect the lender with the agency to make these loans, which can be paired with a low, 3% mortgage down payment.

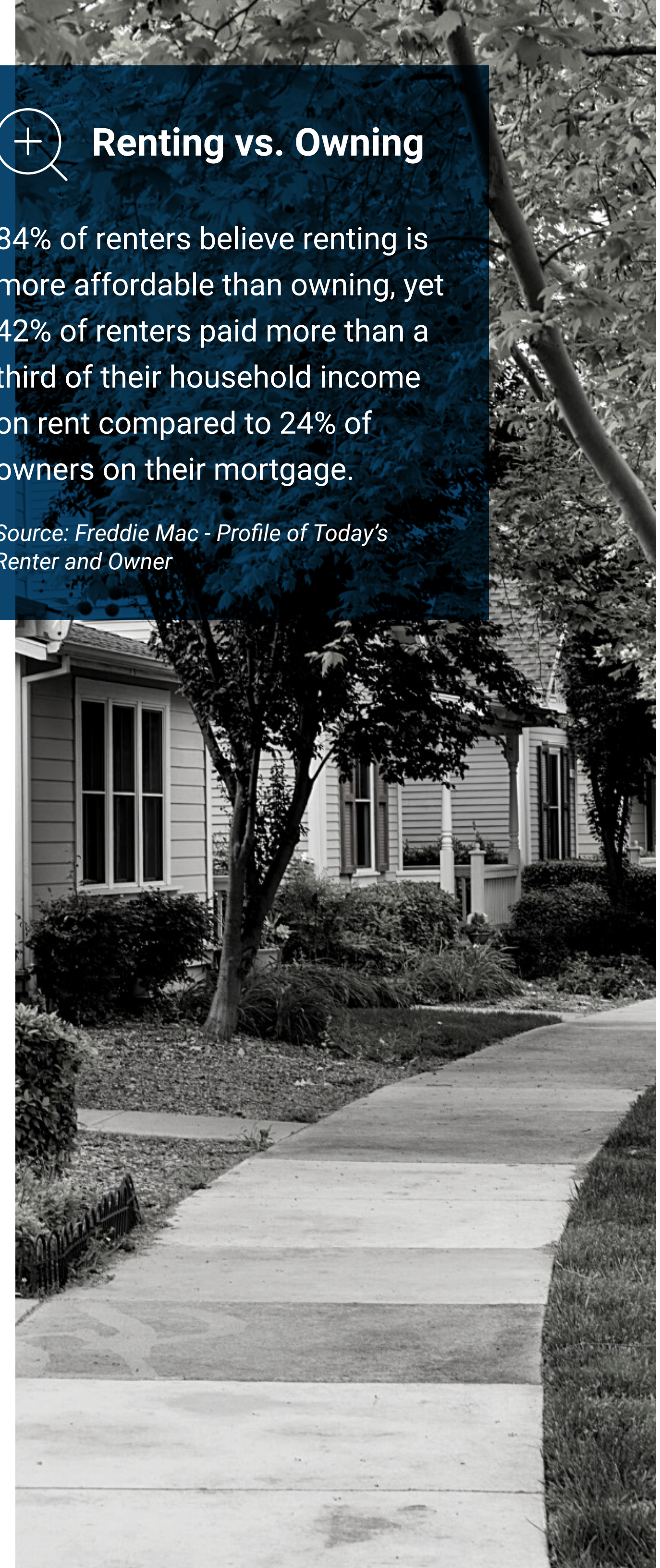
How to Help Borrowers Understand the Mortgage Process in Turbulent Times

- **Educate on the stability** offered by a fixed-rate mortgage and building equity.
- **Ensure self-employed homebuyers** understand their status won't be a disadvantage.
- **Communicate that being cost-burdened** prohibits people from building up an emergency fund.
- **Assess where the homebuyer sits on the financial literacy scale** and look for teachable moments.
- **Educate on building and maintaining credit** and responsible homeownership practices.
- **Increase retention and referrals** by staying current on new mortgage options.
- **Use new tools** that give a realistic view of a client's risk and eligibility.
- **Help borrowers understand mortgage products** so they can choose the one that's best.

Renting vs. Owning

84% of renters believe renting is more affordable than owning, yet 42% of renters paid more than a third of their household income on rent compared to 24% of owners on their mortgage.

Source: Freddie Mac - Profile of Today's Renter and Owner



Helping Borrowers Address Credit Scores

What are common credit problems and how can you help consumers solve them?

Most consumers are good about monitoring their score, but often don't fully understand how it impacts their financial situation and ability to buy a home.

Now more than ever, the mortgage industry needs to help educate and guide consumers in strengthening credit for homeownership. This can help first-time homebuyers, particularly in the wake of COVID-19 and resulting financial uncertainty.

A solid understanding of credit scores and how to manage them remains one of the biggest homebuying obstacles for first-time buyers, particularly in the affordable housing market.

Help borrowers improve their credit education with innovative programs.

CREDIT PROBLEM	ACTIONABLE SOLUTION
Lack of knowledge of what's in the score.	Help potential borrowers realize that an understanding of credit is an important step in homebuying.
Misconceptions about how high a score needs to be.	Help borrowers set realistic credit score goals and share tips on how they can plan to achieve it.
Unfamiliarity with pre-qualification importance.	Explain that pre-qualification only requires a soft credit pull. Help them understand the advantages of it.
Not knowing how to resolve credit disputes.	Provide guidance about resolving mistakes—like reporting errors—and staying on top of the process.
Unaware that homeownership can improve credit over time.	Explain that making prompt mortgage payments and building equity may improve scores over time.
Credit mistakes after buying a home.	Encourage borrowers to avoid applying for store cards and remind them to stay below 30% of available credit.

Empowering Borrowers with Resources and Education

Empowering Borrowers with Resources and Education

Before facing the challenges associated with COVID-19, borrowers already needed support navigating the complexities of the mortgage process. Help potential borrowers and your network of partners provide and access support during these unprecedented times.

8 Steps on the Path to Homeownership

Key Opportunities for Building the Future of Home

Overcoming Homeownership Challenges

Real Estate Professional Resource Center

Borrower Help Centers

Housing Finance Agency Resource Center

CreditSmart® Consumer Resources

Housing Counselor Resource Center

Get Additional COVID-19 Guidance and Resources

COVID-19 RESOURCE CENTER

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