



DEPARTMENT OF FINANCIAL INSTITUTIONS

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April 16, 2020

The Honorable Maria Cantwell
The Honorable Patty Murray
United States Senate

The Honorable Suzan DelBene
The Honorable Rick Larsen
The Honorable Jaime Herrera Beutler
The Honorable Dan Newhouse
The Honorable Cathy McMorris Rodgers
The Honorable Derek Kilmer
The Honorable Pramila Jayapal
The Honorable Kim Schrier
The Honorable Adam Smith
The Honorable Denny Heck
United States House of Representatives

Dear Members of the Washington State Congressional Delegation:

As Director of the Washington State Department of Financial Institutions, I am writing to recommend to you the following policies in future legislation intended to mitigate the economic impact of the necessary response to the COVID-19 pandemic:

Liquidity Support for Mortgage Servicers

State licensed and state regulated non-bank mortgage servicers perform at least half of the mortgage servicing in the United States. As regulators of these servicers, we are concerned about their ability to continue to operate if they make the contractually required payments to investors when they are not receiving payments from borrowers.

During the Great Recession, we observed the negative consequences for borrowers when institutional failures and financial distress resulted in widespread transfers of servicing rights. While stronger and more stable companies were able to step in as new servicers, the transfer of records, correct application of payments (including taxes and insurance), and transfers of modifications in process often lagged far behind. When that happened, borrowers had to make new tax and insurance payment arrangements that did not immediately reflect past payments, creating great financial hardship for borrowers. Borrowers often spent months getting their accounts corrected.

To avoid a similar disruption in the mortgage servicer market, we recommend that Congress authorize a dedicated credit facility for nonbank mortgage servicers to access for liquidity purposes. This will support these servicers as they work with borrowers seeking forbearance from mortgage payments under the CARES Act, preserving their solvency and avoiding further disruption in the housing markets.

Temporary Account Guarantee Program

Also during the Great Recession, the Federal Deposit Insurance Corporation used the Temporary Account Guarantee (TAG) Program to provide deposit insurance for all transaction accounts in excess of the \$250,000 account limit. We urge Congress to reinstate the TAG program to ensure liquidity and stability in the banking system. The current economic conditions as a result of COVID-19 continue to have the potential to cause fear and panic on the part of both commercial and consumer depositors. The TAG program previously was successful at providing security to many businesses' commercial accounts and kept these funds in banks.

Home Mortgage Counselors

While Congress has enacted many urgently needed COVID-19-related forbearance and foreclosure protections, many consumers need the support of trained counselors to help them navigate what can be complex processes. During the Great Recession, housing counselors played a key role in helping consumers through the crisis. In the last several years, we have seen the number of housing counselors in our state steadily decline as funding, which is derived from foreclosure filings, also diminished. As a result, nonprofits that sponsor counseling services do not have as many counselors available as will likely be needed as hardships increase again. Now, as consumers experience economic and financial hardship from the fallout of COVID-19, and with the duration of the crisis uncertain, Washington needs more federal funding for housing counselors.

Lastly, I would join the many voices that are calling for additional funding for CARES Act programs such as the Paycheck Protection Program and Economic Injury Disaster Loans administered by the Small Business Administration. I would also suggest that special attention be given to authorizing community-based lenders such as community banks, credit unions, and community development financial institutions to serve as portals for Federal assistance to businesses.

Thank you for your time and attention. Please know that I am available to discuss any of these recommendations and suggestions with you or your staff if that would be helpful.

Sincerely,



Charles Clark
Director

cc: Casey Katims, Director, Washington, D.C. Office, Governor Inslee