DRAFT Correspondents Letter Trade Associations

(to which they may belong – e.g., ABA, ICBA, MBA, NAMB, CMLA)

(Date)

Dear :

As you most likely know, on Thursday, April 18, 2019, the Department of Housing and Urban Development (HUD) issued [Mortgagee Letter (ML) 2019-06](https://urldefense.proofpoint.com/v2/url?u=https-3A__www.hud.gov_sites_dfiles_OCHCO_documents_19-2D06hsgml.pdf&d=DwMGaQ&c=hCLxfJq9j_r9eaDl3ZiMkA&r=onXjZLiRmxf0v9PbTvOdhg&m=jvmwgGxrXi-Cawisei8L7-jMWq68x2ZcuHLFTVuNNM8&s=WRoae92qG1amRBWU8ta5V4FpQdPcgzvE7CcFBw1qdyo&e=), *Downpayment Assistance and Operating in a Governmental Capacity*, with a same-day effective date.

As a trade association member, I am writing to request that you get HUD to immediately withdraw its Mortgagee Letter. This ill-advised Mortgagee Letter was designed to put Native American housing finance agencies that were federally-chartered by the Bureau of Indian Affairs out of business. We have a very positive business relationship with the CBC Mortgage Agency’s Chenoa Fund program, which is one of the organizations that would be shut down as a result of this Mortgagee Letter, and are very concerned that its well-run programs and innovative, competitively-priced products would be removed from the marketplace. The attached white paper provides more detail on this history and analysis of this issue.

Aside from the irreparable harm that HUD’s Mortgagee Letter has on the Chenoa Fund program, the Mortgagee Letter is having an immediate and extremely harmful impact on individuals who have been pre-qualified for a mortgage loan, are seeking a home, or who recently found a home, temporarily leaving some families without a place to live. The reason for the harm caused is due to the nature of the loan process exacerbated by the FHA’s lack of industry communication on the issue and the immediate release of new policy without an effective date in the future which gives time to clear out a pipeline period

Individuals desiring to purchase a home must first contact a mortgage lender and pre-qualify for a loan product. That loan product and the amount of the loan for which they can qualify determines the parameters under which they will search for a home. Once a home is located, an offer on a home is made, negotiations on that offer typically occur, and finally, usually after several weeks, a purchase contract is in place and now the loan origination process can occur.

Usually a case number is requested from the FHA within 72 hours of the purchase contract ratification. The issue date of the FHA case number is important because the new FHA policy is effective on all case numbers issued on and after the policy issue date since FHA did not provide an implementation period for their new policy. This leaves thousands of homeowners who have been pre-qualified for a mortgage by using down payment assistance in a very precarious situation because if they are receiving down payment assistance from ANY government entity. We cannot close that loan until such time that the documentation required by the new policy is obtained.

The most harmful results are being felt by those who recently completed a purchase negotiation, have delivered an earnest money deposit to guarantee their performance in buying a home within a specified period of time, some of which who have given notice to their current place of residence that they will be moving out. These individuals not only face losing their purchase contract deposit, but may very likely become temporarily homeless.

So, the most immediate task is to get HUD to withdraw its Mortgagee Letter. Then, we need to work with HUD to put in place a system, as outline in the attached white paper, that will actually help HUD manage its risk while, at the same time, assist all of the governmental entities in managing their programs. A fully transparent system that monitors the marketplace also will benefit consumers.

Thank you very much.

Sincerely,