



# Mortgage Stakeholders Looking to the Future

MBA of Puerto Rico  
Annual Convention 2019

Michael Hernandez, VP Disaster  
Response & Rebuild  
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Fannie Mae Confidential and Proprietary



Fannie Mae®



# Why?

We cannot afford to simply keep responding as usual

The costs are too high:

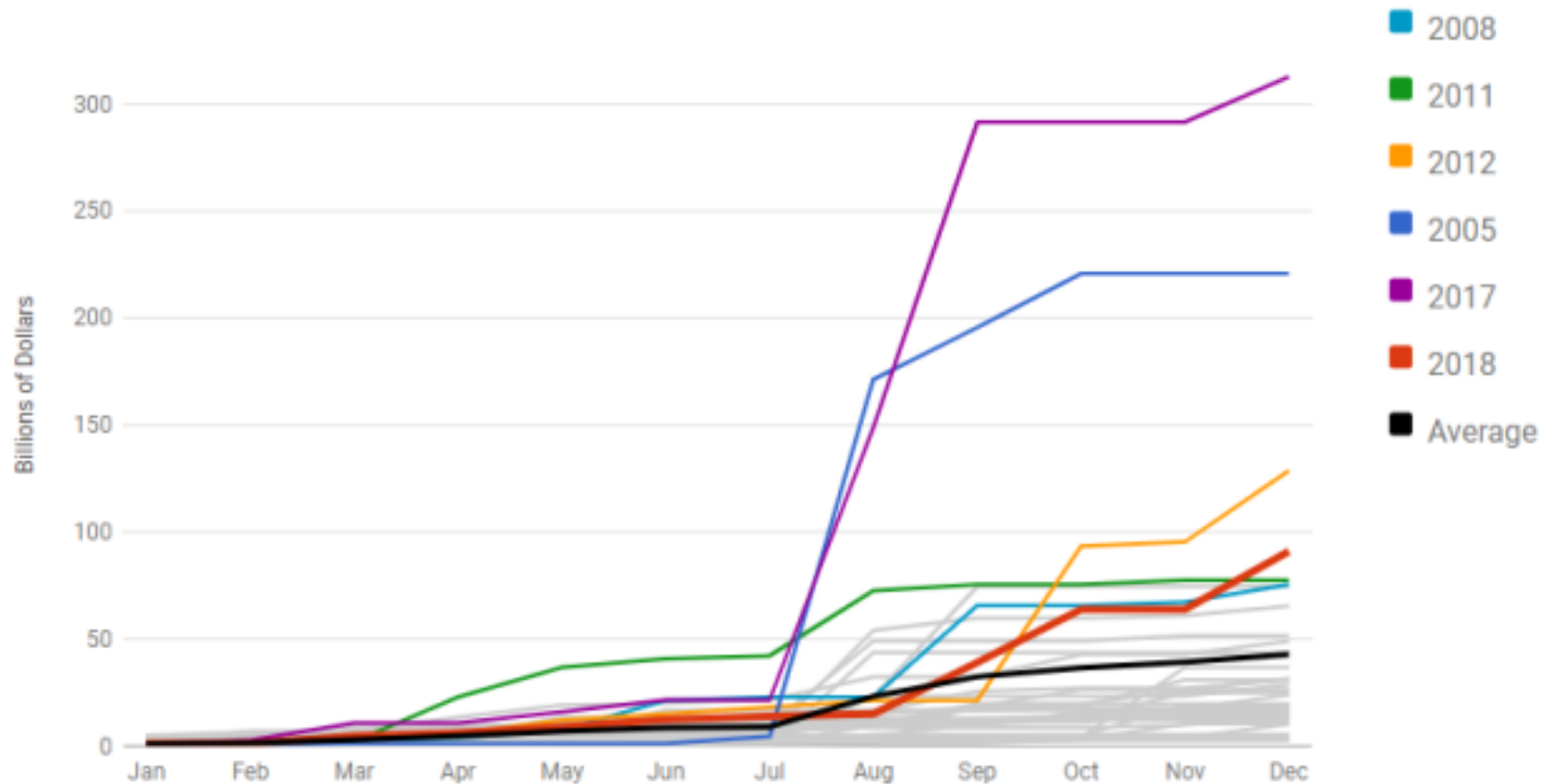
- Frequency and severity of events
- Displaced lives and emotional duress
- Financial impact – municipal, business, and personal
- Missed opportunities to boost resiliency

# The Need is Growing

The past decade has been the most costly for natural disasters in U.S. history.

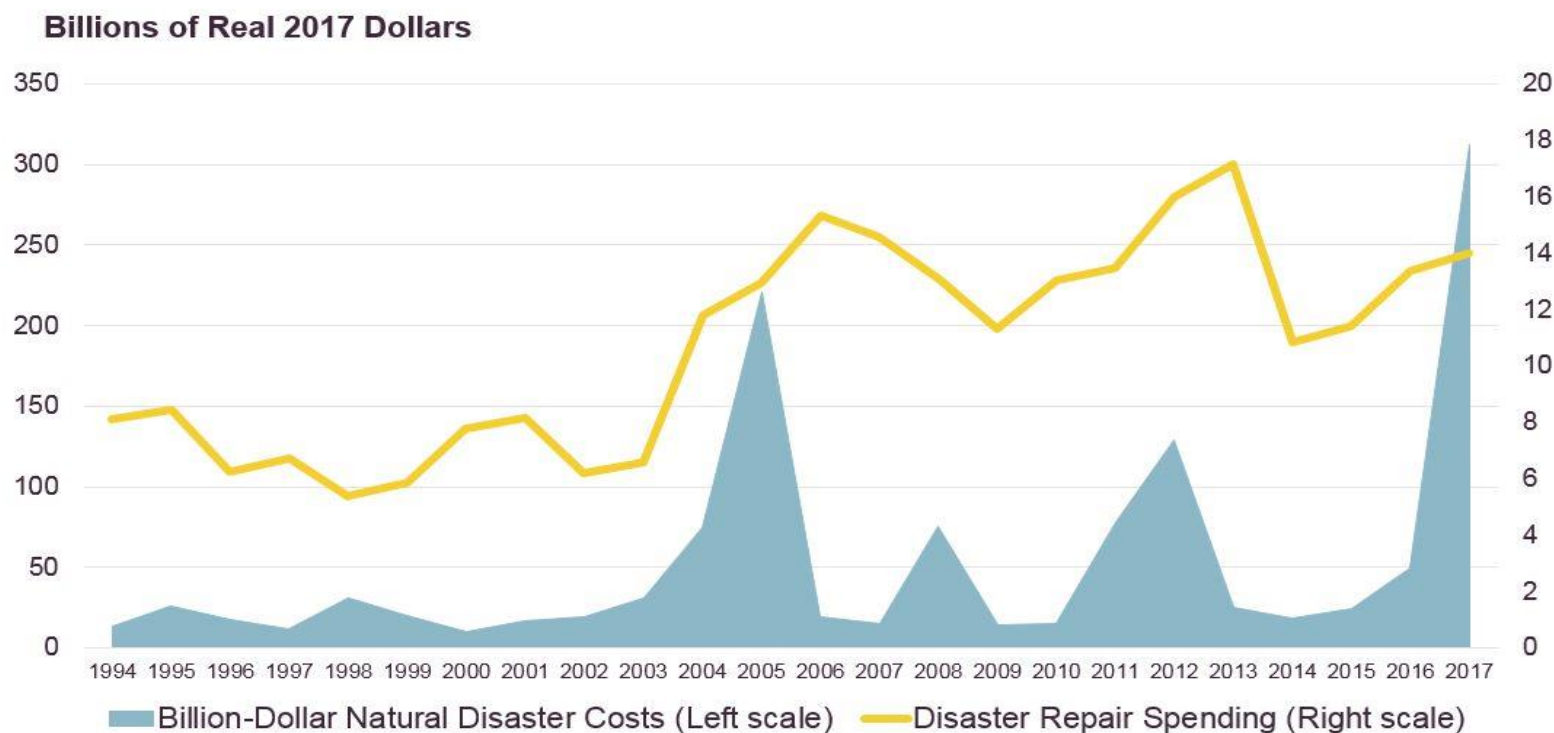
**1980-2018 Year-to-Date United States Billion-Dollar Disaster Event Cost (CPI-Adjusted)**

Event statistics are added according to the date on which they ended.



# 2017 - Costliest Year on Record

**Figure 1: Losses from Natural Disasters Reached All-Time Highs in 2017 as Disaster-Related Improvement Spending Increased**



Notes: Dollar values are adjusted for inflation using the CPI-U for all items. Natural disaster costs include only natural disasters that generate over \$1 billion in damages after adjusting for inflation.

Sources: JCHS tabulations of US Housing and Urban Development, American Housing Surveys and National Oceanic and Atmospheric Administration data.







# Pursuing Better Outcomes

Fannie Mae is taking a holistic approach to disasters

- Disaster Response & Rebuild Team
- Innovation—test & learn approaches
- Disaster Response Network
- Volunteer rebuilding deployments
- Employee giving / matching gifts
- Corporate resiliency



# Partnering for Success

Our dedicated **Disaster Response & Rebuild team** leads our efforts

- Supports Single-Family and Multifamily Investments
- Takes a “boots on the ground” engagement approach
- Establishes local relationships with key partners
- Addresses immediate needs through volunteer efforts
- Incorporates long-term rebuilding strategies
- Prioritizes mitigation and resiliency





# Fannie Mae's Disaster Response Network<sup>TM</sup>

Supported by Clearpoint Credit  
Counseling Solutions

Offers holistic post-disaster case management to  
Fannie Mae homeowners:

- Certified counselors using a call center model
- Case assessment and action plan
- Help with FEMA, insurance, SBA claims, and more
- Tri-party calls with assistance providers
- Self-advocacy and ongoing check-ins
- Online portal, tools, resources

Helps borrowers return to normal, resume mortgage  
payments sooner, and succeed for the long run

**Borrowers can access the Network  
by calling 1-800-2FANNIE**





# Disaster Response Innovation

“Everybody has a plan until they are punched in the mouth” - Mike Tyson

- Rebuilding takes a long time
- Every disaster is different yet many of the challenges are the same
- Simple programs with flexible requirements are a must-have
- MF borrowers and lenders benefit from rapid identification, reporting, and engagement
- Homeowners need quick intervention
- Communities need economic and emotional support with early wins





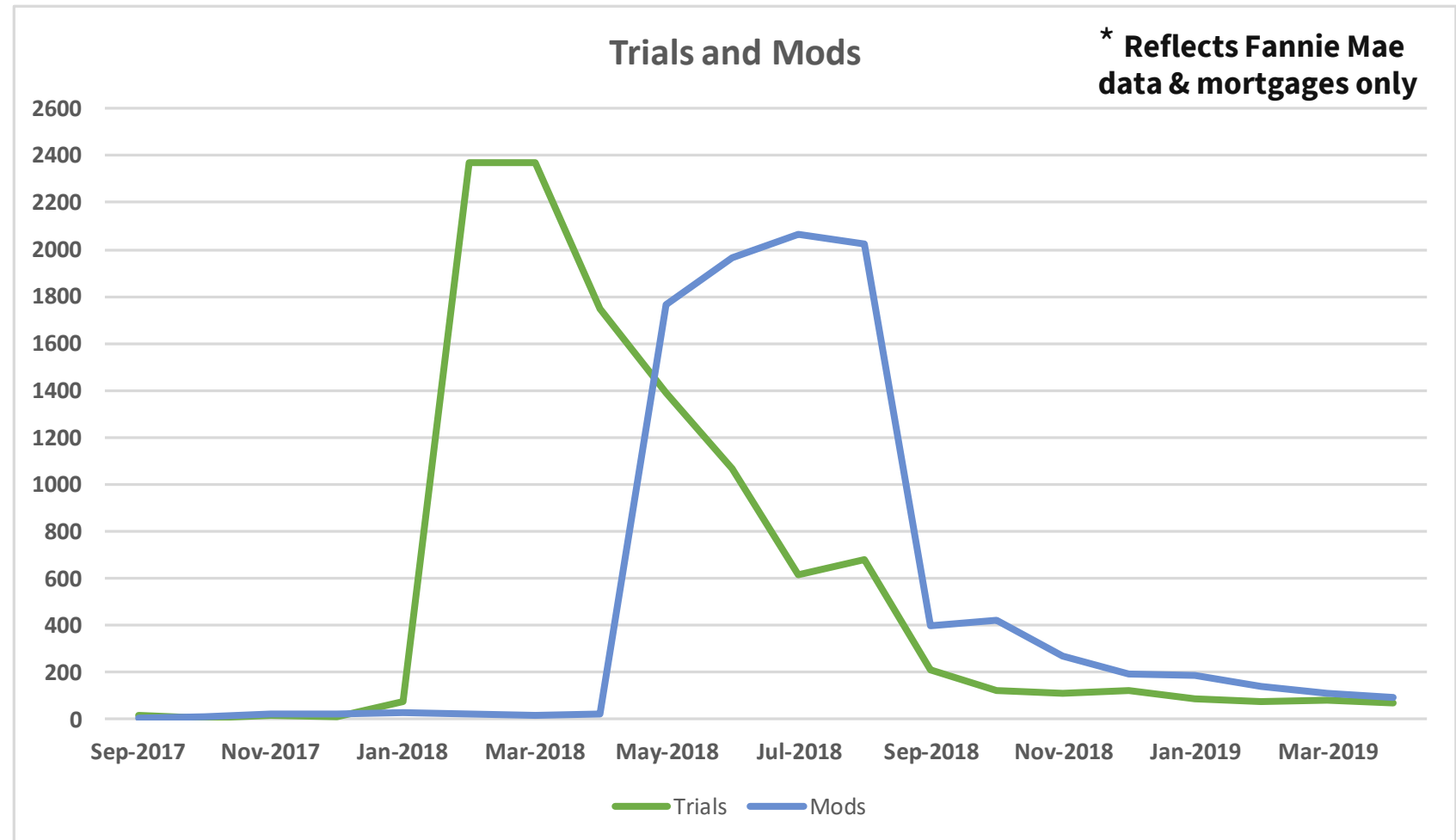


# **Impact of Hurricane Maria on Mortgages in Puerto Rico**

# Trials and Mods in Puerto Rico

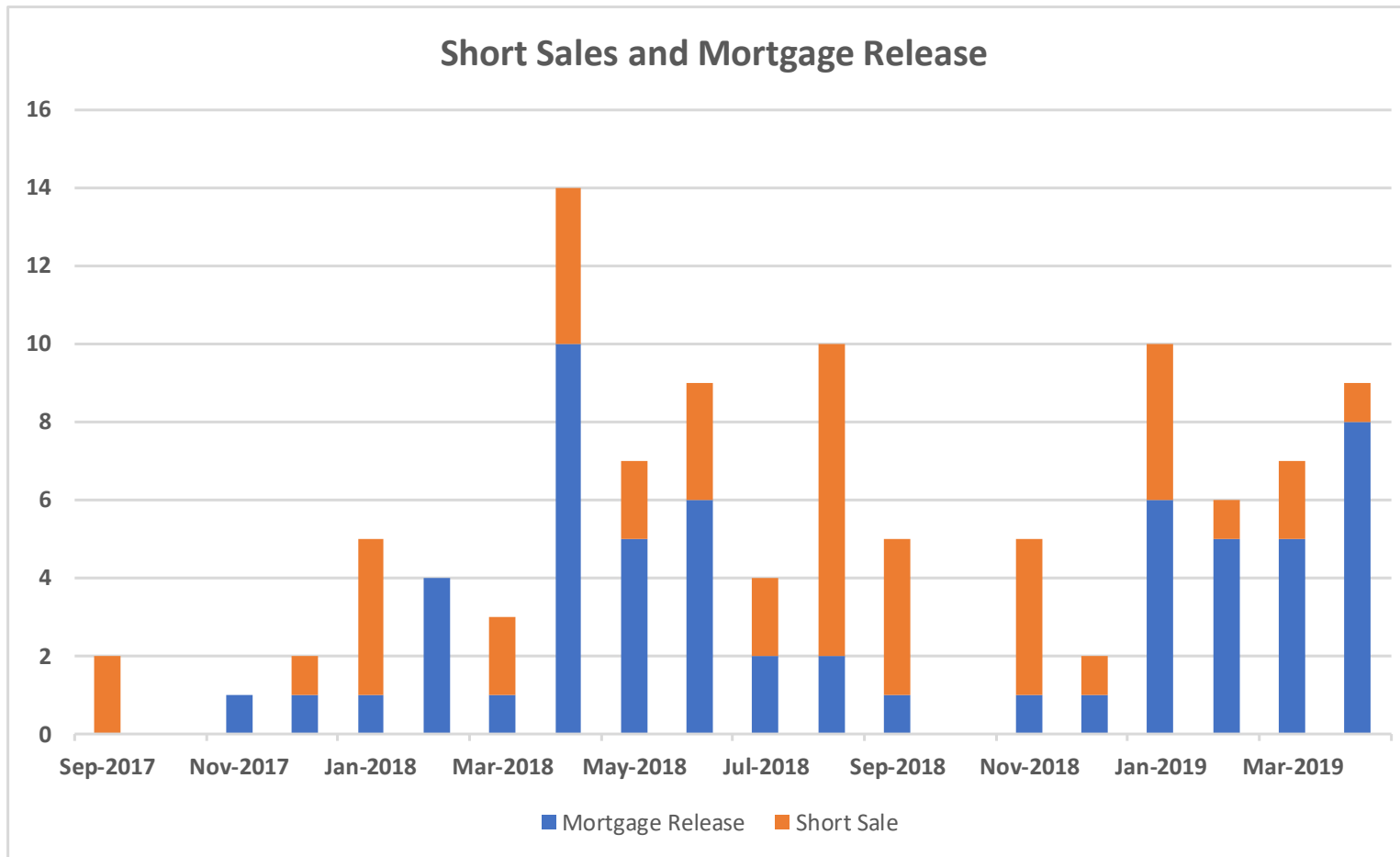
## Post-Hurricane Maria Forbearance Activity

- New modification trial starts peaked in February and March 2018.
- Over 90% of new modification trial starts since October 2017 have been disaster modifications.
- To-date, 95% of disaster mod trial starts have converted.



# Puerto Rico Mortgage Release/DIL and Short Sales

Increased Foreclosure Prevention Options Since Hurricane Maria



\* Reflects Fannie Mae data & mortgages only





# Foreclosure Prevention

## Fannie Mae's Approach to Hardship Includes a Cap & Extend Modification for Disaster and Extend for Disaster

**Temporary Hardship** – when borrower is experiencing or has experienced a temporary hardship resulting from a short-term decrease in income or increase in expenses

- If hardship has been resolved:
  - Reinstatement – Borrower pays all arrears
  - Repayment Plan – Borrower pays full contractual payment plus additional each month
  - Disaster Modifications – Borrower resumes contractual payment and term is extended
- If hardship has not been resolved:
  - Forbearance – Borrower pays less or nothing for a certain period of time

**Permanent Hardship** – when borrower is experiencing a hardship that has resulted in a permanent or long-term decrease in income or increase in expenses

- Flex Modification – Borrower makes a modified payment and remains in the home
- Short Sale – Borrower sells the home for an amount less than what is owed
- Mortgage Release (Deed-in-Lieu of Foreclosure) – Transfer of title from borrower to the servicer



# Fannie Mae Condo Update

## ❑ We Understand Your Pain

- ✓ Condo projects are one of the more popular and affordable styles of homeownership available in Puerto Rico. Our lenders requested the ability to deliver loans in condo projects with budgeted reserves at 5% (Puerto Rico condo law), rather than the Guide standard of 10%.

## ❑ Fannie Mae Solution – *Test and Learn*

- ✓ After validating there are no other ineligible condo characteristics, Lender may submit a project for a Project Eligibility Review (PERS) by the Fannie Mae project standards team for approval of the reserves amount calculated at 5%, and there are no other project eligibility issues.

## ❑ Fannie Mae PERS

- ✓ Available to Lenders to submit established project information to Fannie Mae for eligibility reviews. All projects are listed on Fannie Mae's business website, which is available to all Lenders that sell loans to Fannie Mae. Approvals are not lender-specific and may be leveraged, extended, or updated by any approved seller/servicer. Streamlined PERs fee of \$250.



# Volunteerism Helps Communities Rebuild

## SERVE-ing Communities

Fannie Mae has partnered with 28 local non-profit organizations in Houston, Puerto Rico, the Florida Keys, the Coastal Bend of Texas, and the Florida Panhandle providing over 12,300 hours of volunteers service to assist these communities with their housing Disaster Recovery.



Fannie Mae volunteers worked on Mrs. Ramos home in Luquillo...

...replacing the roof, cabinets, windows, repairing a concrete wall with a large crack...



... On our previous trip volunteers power washed and resealed a roof in need of considerable repair. The team powered thru the rain...



...and performed additional repairs to 6 other homes across the island.



# Fannie Mae Resources

Fannie Mae Assistance for Lenders & Homeowners in Puerto Rico



## Disaster Response Network

**1-800-2FANNIE**

<https://www.knowyouroptions.com/get-help-overview/disaster-recovery-help-for-homeowners>



## Fannie Mae - Disaster Response & Rebuild Team, Puerto Rico

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## Lender Relationship Managers – Puerto Rico

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