



# APS Portfolio Strategy call

## The market impact of mortgage forbearance

April 23, 2020

Steven Abrahams, head of investment strategy, host  
Brian Landy, senior strategist  
Chris Helwig, senior strategist  
Mary Beth Fisher, senior strategist

## SERVICING ADVANCING REQUIREMENTS VARY ACROSS AGENCY MBS

Agency	Cash Flows Advanced	How Long
Fannie Mae	P&I <sup>1</sup> for loans sold into pools	4 Months
	Typically no P&I advancing for loans sold at the cash window	N/A
	T&I <sup>2</sup> for all loans	Duration of servicing <sup>3</sup>
Freddie Mac	Interest only (no principal)	4 months
	T&I	Duration of servicing <sup>3</sup>
Ginnie Mae	P&I	While loan is in pool
FHA & VA	T&I	Duration of servicing <sup>3</sup>

<sup>1</sup> P&I—Principal and Interest

<sup>2</sup> T&I—Taxes and Insurance

<sup>3</sup> Until borrower begins making payments again via reinstatement, repayment plan, or modification; or until there is a deed-in-lieu, short sale, or foreclosure sale.

## AGENCIES BUY LOANS OUT OF MBS POOLS ACCORDING TO DIFFERENT RULES

	Who can buy out?	Min. Time	Max. Time	Effect on Pool
Fannie Mae	Fannie Mae	120 days delinquent or loan mod	<p>Standard policy: 120 days delinquent except loans on temporary disaster forbearance or in repayment plans.</p> <p>Mandatory: 24 months delinquent unless on repayment plan, loan modification, short sale, deed-in-lieu, foreclosure.</p>	Prepayment of principal at par
Freddie Mac	Freddie Mac	120 days delinquent or loan mod	<p>Standard policy: 120 days delinquent except loans on temporary disaster forbearance or in repayment plans.</p> <p>Mandatory: 24 months delinquent unless on repayment plan, loan modification, short sale, deed-in-lieu, foreclosure.</p>	Prepayment of principal at par
Ginnie Mae	Servicer	90 days delinquent	Mandatory: loan modification, short sale, deed-in-lieu, foreclosure sale.	Prepayment of principal at par

## AGENCIES HAVE DIFFERENT RULES FOR REIMBURSING SERVICER ADVANCES

	P&I Recovery Mechanism	T&I Recovery Mechanism
Fannie Mae	Advances are collected from the borrower when the loan becomes current or from a repayment plan; or reimbursed by Fannie Mae when a loan is bought out of its pool.	Servicers can request reimbursement from Fannie Mae as soon as the expense is paid.
Freddie Mac	Collected from the borrower when the loan becomes current or from repayment plan; or  Reimbursed by Freddie Mac at settlement of loan modification or payment deferral; or  Reimbursed by Freddie Mac at time of short sale, deed-in-lieu, or foreclosure sale.	Collected from the borrower when the loan becomes current, from a repayment plan, as part of an Extend Mod, or to initiate payment deferral; or  For all other loan mods, attempt to collect from borrower. Freddie will reimburse if collection is unsuccessful; or  Reimbursed by Freddie Mac at time of short sale, deed-in-lieu, or foreclosure sale.
FHA	Collected from borrower when the loan becomes current or from a repayment plan; or reimbursed by the FHA with a partial claim or at time of short sale, deed-in-lieu, or foreclosure sale. Interest is reimbursed at the 10-year treasury yield. 100% of principal is reimbursed. The first two months' lost interest is not reimbursed.	Collected from borrower when the loan becomes current or from a repayment plan; or reimbursed by the FHA with a partial claim or at time of short sale, deed-in-lieu, or foreclosure sale.
VA	Collected from borrower when the loan becomes current or from a repayment plan; or reimbursed by the VA at time of short sale, deed-in-lieu, or foreclosure sale. Delinquent interest is fully reimbursed. Principal is reimbursed to cover up to 25% loss.	Collected from borrower when the loan becomes current or from a repayment plan; or reimbursed by the VA when a loan is modified or at time of short sale, deed-in-lieu, or foreclosure sale.

# DISCLAIMER

---

Copyright ©2020 Amherst Pierpont Securities LLC and its affiliates (“Amherst Pierpont”). All rights reserved. Amherst Pierpont is a member of FINRA and SIPC. This material is intended for limited distribution to the recipient and is not publicly available. Any unauthorized use or disclosure is prohibited.

This material is intended for discussion purposes only and is not meant to be, nor shall it be construed, as an offer or commitment by Amherst Pierpont or any of its affiliates to enter into any transaction. Should Amherst Pierpont subsequently seek to enter into any transaction, any such transaction would be subject to the conditions stated in the documentation therefore at that time.

In connection with recipient’s decision to enter into any transaction, or to purchase or sell securities or other financial instruments, the recipient is advised to undertake an independent review of this material, and the potential legal, tax, regulatory and accounting implications of any transaction described herein to determine whether such a structure would be suitable for such recipient's particular situations. Amherst Pierpont is not providing any investment, legal, accounting, tax, financial or other advice to the recipient, nor is it acting as an advisor or fiduciary in respect of the recipient. This presentation is not intended to form the basis of an investment decision and contains insufficient information to make an investment decision. Amherst Pierpont accepts no responsibility or liability as to any reliance placed, or investment decision made, on the basis of such information by the recipient. Any illustrations contained herein are provided as examples only.

In making this material available, Amherst Pierpont (i) is not making any predictions or projections, (ii) intends that any recipient to which Amherst Pierpont has provided this material is an “institutional investor” (as defined under applicable law and regulation, including FINRA Rule 4512) and (iii) intends that this material will not be disseminated, in whole or part, to any third party by the recipient without Amherst Pierpont’s prior written consent.

This material (i) has been prepared for information purposes only and does not constitute a solicitation or an offer to buy or sell any securities, related investments or other financial instruments, (ii) is neither research, a “research report” as commonly understood under the securities laws and regulations promulgated thereunder nor the product of a research department, (iii) has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

Amherst Pierpont (i) makes no representation or warranties as to the appropriateness or reliance for use in any transaction or as to the permissibility or legality of any financial instrument in any jurisdiction, (ii) believes the information in this material to be reliable, but has not independently verified such information, parts of which may have been obtained from third party sources, and makes no guaranty or representation, express or implied, with regard to the accuracy or completeness of such information, and (iii) does not undertake, and disclaims any duty to undertake, to update or to revise the information contained in this material. Unless otherwise stated, the views, opinions, forecasts, valuations, or estimates contained in this material are those solely as of the date of publication of this material, and are subject to change without notice.