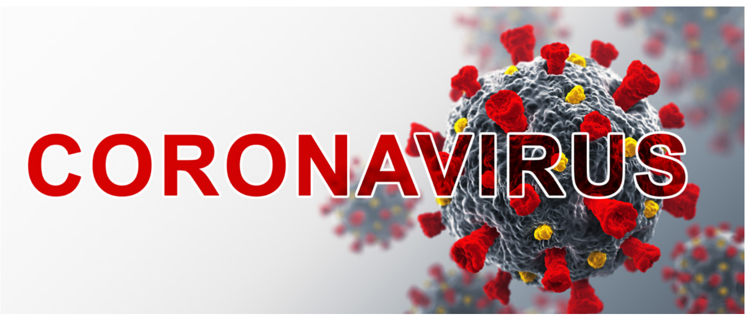
APRIL 24, 2020 COVID-19 PANDEMIC REGULATORY UPDATES FOR FINANCIAL INSTITUTIONS



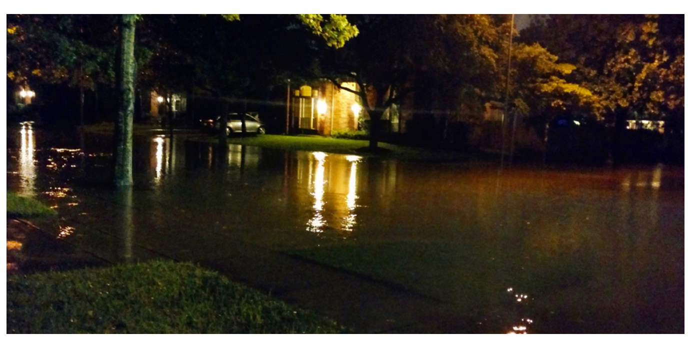
OCC Responds to FEMA's Extension of Grace Period for NFIP Polices

The Office of the Comptroller of Currency responded to questions posed by the American Bankers Association regarding how national banks may operate their flood force-placement programs in light of FEMA's grace period extension from 30 days to 120 days. The OCC's statement is as follows:

"On March 29, 2020, the Federal Emergency Management Agency (FEMA) announced in Bulletin W-20002 that the grace period to renew National Flood Insurance Program (NFIP) policies that expire between February 13, 2020 and June 15, 2020 (FEMA emergency period) has been extended from 30 days to 120 days due to the COVID-19 emergency. Based on Bulletin W-20002, a borrower will be covered by the NFIP policy if the flood insurance premium is paid before the 120-day grace period expires.

In accordance with the OCC's flood insurance force placement regulations, 12 CFR 22.7, when a national bank or Federal savings association (collectively, bank) makes a determination that a designated loan is not covered by flood insurance or is not covered by a sufficient amount of flood insurance, it must notify the borrower that the borrower should obtain sufficient flood insurance, at the borrower's expense for the remaining term of the loan. If the borrower does not provide evidence of sufficient coverage within 45 days after notification, the bank must force place flood insurance in an amount that will satisfy the regulatory requirements.

The OCC recognizes the serious impact the COVID-19 emergency may have on consumers and on the operations of many supervised entities. Accordingly, and in light of Bulletin W-20002, for NFIP policies expiring during the FEMA emergency period, the OCC does not expect to take supervisory or enforcement action against a bank for reasonable delays in complying with the requirements of 12 CFR 22.7 in connection with the 120-day grace period provided that the bank made good faith efforts to support borrowers and comply with the flood insurance force placement requirements, as well as responded to any needed corrective action identified in supervisory feedback. For example, a bank may provide the notice required by § 22.7 to the borrower after determining the policy has expired informing the borrower they should obtain sufficient flood insurance, which also includes an indication that the NFIP grace period has been extended for 120 days, or a bank may delay providing the required notice until 45 days before the end of the 120-day grace period. At the end of the 120-day grace period, the bank must force place flood insurance on the borrower's behalf if the borrower has not obtained flood insurance.



Banks should be aware that if they force place flood insurance for NFIP policies that expire during the FEMA emergency period prior to the expiration of the 120-day grace period and the borrower pays the premium by the end of the 120-day grace period, then consistent with the OCC's flood insurance regulatory requirements in 22.7(b), the bank would be required to refund the borrower for any overlapping flood insurance coverage."

The other prudential banking regulators (FDIC, FRB, and NCUA) have not yet responded, and it is unclear if the above guidance will be issued under an interagency platform. The OCC makes clear that lenders may continue their force-placement programs "as is" provided that any overlap in force-placement coverage with that of borrower coverage during the 120-day extension be fully cancelled and refunded. Alternatively, some lenders have elected to continue force-placement "as is" but delay charging the borrower until after the 120-day extension expires. This alternative approach would be consistent with loans approved for mortgage payment forbearance.

OSC and SUI continue to monitor regulatory pronouncements and stands ready to assist lenders administer their force-placement program. Our position continues to be business as usual in our force-placement process in accordance with lender procedure guides and statutory requirements.

Should you have questions regarding our process, please contact you Client Service Manager.

Enterprises to Purchase Qualified Loans in Forbearance

The Federal Housing Finance Agency has announced its approval of the purchase by Fannie Mae and Freddie Mac of certain single-family mortgages in forbearance that meet specific eligibility criteria. Due to the COVID-19 pandemic, some borrowers have sought payment forbearance on their loan shortly after closing and before the lender could deliver the mortgage loan to the Enterprises.

"We are focused on keeping the mortgage market working for current and future homeowners during these challenging times," said Director Mark Calabria. "Purchases of these previously ineligible loans will help provide liquidity to mortgage markets and allow originations to keep lending."

Mortgage loans either in forbearance or delinquent are normally ineligible for delivery under Enterprise requirements. However, FHFA's action lifts that restriction for a limited period of time and only for mortgages meeting certain eligibility criteria. Eligible loans will also be priced to mitigate the heightened risk of loss to the Enterprises for these purchases. These prudential measures also ensure fulfillment of the Enterprises' charter requirements to only purchase loans that meet the purchase standards imposed by private, institutional mortgage investors.

READ ANNOUNCEMENT

More than 2.9 million mortgages in forbearance – Black Knight *(Mortgage Professional America April 20, 2020)*

More than 2.9 million mortgages are in forbearance – 5.5% of all mortgages in the US, according to a new report by Black Knight.

About 22 million Americans have filed for unemployment in the last four weeks, and the economic effects of the COVID-19 outbreak are hitting the mortgage industry, Black Knight said. Together, the 2.9 million mortgages currently in forbearance account for $651 billion in unpaid principal. They include 4.9% of all GSE-backed loans and 7.6% of all FHA/VA loans.

This could put a strain on mortgage servicers, who must make advance principal and interest payments on the loans they service each month, regardless of the loans' forbearance status.

"At today's level, mortgage servicers would need to advance $2.3 billion/month to holders of government-backed mortgage securities on COVID-19-related forbearances," Black Knight said. "Another $1.1 billion in lost funds will be faced each month by those with portfolio-held or privately securitized mortgages (nearly 5% of these loans are in forbearance as well)."

The CARES Act, which was passed to mitigate the economic impacts of the COVID-19 outbreak, mandates that servicers offer forbearance to borrowers impacted by the pandemic. However, the legislation did not put in place a liquidity backstop for those servicers.

"While Ginnie Mae has announced a pass-through assistance program through which it will advance principal and interest payments to investors on behalf of servicers, at present there is no such program in place for mortgages backed by the GSEs," Black Knight said.

Both industry groups and lawmakers have called on regulators to provide liquidity to servicers to help them extend the mandated forbearance to borrowers.

FHFA Limits Servicer Advances for Loans in Forbearance

The Federal Housing Finance Agency has announced the alignment of Fannie Mae's and Freddie Mac's policies regarding servicer obligations to advance scheduled monthly principal and interest payments for single-family mortgage loans. Once a servicer has advanced four months of missed payments on a loan, it will have no further obligation to advance scheduled payments. This applies to all Enterprise servicers regardless of type or size.

"The four-month servicer advance obligation limit for loans in forbearance provides stability and clarity to the $5 trillion Enterprise-backed housing finance market, "said FHFA Director Mark Calabria. "Mortgage servicers can now plan for exactly how long they will need to advance principal and interest payments on loans for which borrowers have not made their monthly payment."

When a mortgage loan is in a Mortgage-Backed Security, Fannie Mae servicers with a scheduled payment remittance are responsible for advancing the principal and interest payment regardless of borrower payments. Freddie Mac servicers, who are generally responsible for advancing scheduled interest, are only obligated to advance four months of missed borrower interest payments. Today's instruction establishes a four-month advance obligation limit for Fannie Mae scheduled servicing for loans and servicers, which is consistent with the current policy at Freddie Mac.

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Temporary Reg O Change for PPP Loans

The Federal Reserve Board has announced an interim final rule to bolster the effectiveness of the SBA's Paycheck Protection Program (PPP). The change will temporarily modify the Board's Regulation O so that certain bank directors and shareholders can apply for PPP loans for their small businesses. The SBA recently clarified that PPP lenders can make PPP loans to businesses owned by their directors and certain shareholders, subject to certain limits and without favoritism. The Board's change will allow those individuals to apply for PPP loans, consistent with SBA's rules and restrictions. The change only applies to PPP loans. The rule change is effective immediately upon publication and will be in place through June 30, 2020.

READ ANNOUNCEMENT

EEOC Issues New Q&As on Employees Returning to Work

As businesses begin preparing for the eventual re-opening of their workplaces, the Equal Employment Opportunity Commission today has updated its list of coronavirus-related questions and answers to include a section on returning to work. The new Q&As clarify that as government stay-at-home orders and other restrictions are modified or lifted in an employer's area, employers may implement any employee screening that is consistent with advice from the Centers for Disease Control and Prevention and public health authorities for their workplace.

The new FAQs also clarify that an employer may require returning employees to wear protective gear (for example, masks and gloves) and observe infection control practices (for example, regular hand-washing and social distancing protocols). The EEOC noted that where an employee with a disability needs a related reasonable accommodation under the Americans with Disabilities Act or a religious accommodation under Title VII of the Civil Rights Act, the employer should discuss the request and provide the modification or an alternative if feasible and not an undue hardship on the operation of the employer's business under the ADA or Title VII.

REVIEW EEOC'S FAQS