Good Day, to The Honorable Marvin A. Blyden, Chairman, and Honorable Members of the Thirty-Fourth Legislature of the Virgin Islands Committee on Housing, Transportation and Telecommunications, other Senators present, as well as the viewing and listening audience. I am Gwendolyn Hall Brady, Director of the Division of Banking, Insurance and Financial Regulation (“Division”) within the Office of Lieutenant Governor and Chairman of the Virgin Islands Banking Board, The Honorable Tregenza A. Roach, Esq.

On behalf of Chairman Roach and the Members of the Virgin Islands Banking Board (“Board”), I most respectfully appear before you today to provide testimony on housing issues in the Virgin Islands, relative to the Territory’s locally-based banks and the impact COVID-19 has had on each bank’s mortgage operations.

First, please allow me the opportunity to inform you of actions taken by the Board to protect the housing interests of Virgin Islanders during the pandemic. On April 8, 2020, Chairman Roach, on behalf of the Board, issued Order No. 4/2020 (copy attached). The Order was issued at the beginning of the pandemic for the purpose of: a) requiring all banks and mortgage loan servicers licensed and doing business in the Territory to comply with applicable provisions of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and b) for consumer protection purposes. The CARES Act, signed into law on March 27, 2020, was a $2.2 trillion stimulus package designed to mitigate the financial effects of COVID-19. The intent of the CARES Act was to help meet the basic needs of America’s individuals, families, and small businesses by mandating financial resources for housing, employment, and the
continued operation of small businesses. Therefore, in accordance with the CARES ACT, Order No. 4/2020 mandated the Territory’s banks and servicers to do the following, as consumer protection measures:

- Comply with Title IV (“Economic Stabilization and Assistance to Severely Distressed Sectors of the United States Economy”) of the Act which provides Sections 4022-4024: Foreclosure Moratorium and Consumer Right To Request Forbearance; and Forbearance of Residential Mortgage Loan Payments on Federally owned and backed mortgage loans. This includes mortgage loans backed by the U.S. Department of Housing and Urban Development (HUD); U.S. Department of Agriculture; USDA Direct; USDA Guaranteed; Federal Housing Administration (FHA) (Includes reverse mortgages); U.S Department of Veterans Affairs (VA); Federal National Mortgage Association (Fannie Mae); and Federal Home Loan Mortgage Corporation (Freddie Mac). The Order extended however to both federally backed and non-federally backed mortgages.

- Make available to their interested qualified borrowers, a forbearance for up to 180 days on a residential mortgage loan. An additional 180 days could be requested if the request is submitted before the expiration of the initial 180 days. The request is subject to the approval of the mortgage lender. The Order stipulated that “No borrower shall be required to pay in full immediately after the termination of the forbearance period expires, the total amount due during the time of the forbearance period.” The amount included in the moratorium or forbearance is to be paid at the end of the loan.

- Comply with the initial action under the CARES Act, which imposed a 60-day moratorium on foreclosures of Federally backed mortgages, beginning March 18, 2020 through June 30, 2020.

- Participate in Sections 1102 and 1106 of the CARES Act (“The Paycheck Protection Program”), as approved SBA-lenders on loans designed to help small businesses keep their employees on the payroll.

- Implement the bank’s Pandemic Response Plans and Business Continuity Plans, as protections against COVID-19 for the safety of bank employees, bank customers, and customers’ assets.
On February 17, 2021, the Virgin Islands Banking Board convened a special meeting to receive from each local bank, a “State of the Bank Report: The Impact of COVID-19 on the Bank’s Operations”. In summary, each Bank reported full compliance with Order No. 4/2020.

- Each local bank initiated COVID-19 precautionary measures to protect their customers and employees. In particular, each bank activated its Pandemic Response Plan and Business Continuity Plan; continued to provide quality service; protected their customers and customers’ financial assets and their ability to access these assets; protected employees; advertised operating hours and changes thereto; conducted online educational programs; encouraged customers to increase usage of online banking services and online loan originations; encouraged use of ATM, direct deposit, and other digital banking services in an effort to reduce foot traffic in banks and thereby help reduce the spread of COVID-19.

- Loan moratoriums/forbearances were offered; very few mortgage borrowers requested loan moratoriums during the pandemic; the majority of those that did so are now current on their payments. Few requests for extensions on loan moratoriums/forbearances. Few mortgage defaults. Few active foreclosures. Very low interest rates, which has resulted in an increase in mortgage loan applications.

As you are aware, the Division also regulates the Territory’s insurance industry. Homeowners insurance sales are very crucial to the preservation of the Territory’s housing market. Home sales are increasing now, after some slowness at the beginning of the pandemic. Homeowners must maintain insurance during the life of a mortgage loan and are encouraged to maintain homeowner’s insurance when the mortgage is paid off. It is not only important to buy a home, but it is equally important to keep it! Key to maintaining homeownership is timely payment of the mortgage, maintaining a homeowners insurance policy (instead
of being force placed by the bank or mortgage lender, which means only the outstanding portion of the mortgage loan is covered) and paying the property taxes timely.

Thus, the Division, during the pandemic, is sponsoring public education activities on the Radio and TV to inform consumers about the CARES Act, particularly how loan moratoriums/forbearances work and the fact that you must still pay the amounts deferred at the end of the loan amortization/loan period; how to maintain a good credit score during the pandemic; and encouraging small businesses to apply for the Paycheck Protection Program. The Paycheck Protection Program is important to housing, because many small business owners use their homes as collateral for a business loan, which is not advised because if the loan defaults, the businessman loses his or her business AND home!

Order No. 4/2020 also required all local banks regulated by the Virgin Islands Banking Board to actively participate in the acceptance, review, and approval of Paycheck Protection Program loans and all complied.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>LOAN COUNT</th>
<th>TOTAL DOLLAR AMT OF USVI PPP LOANS</th>
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<tbody>
<tr>
<td>Year 2020</td>
<td>2,057</td>
<td>$126,446,683.00</td>
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<tr>
<td>Year 2021 (as of 2/21/21)</td>
<td>231</td>
<td>$27,160,355.00</td>
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<tr>
<td><strong>GRAND TOTAL:</strong></td>
<td><strong>2,288</strong></td>
<td><strong>$153,607,038.00</strong></td>
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To any U.S. Virgin Islands small business owner who has not yet applied for a Paycheck Protection Program loan, please be advised this Program ends March 31, 2021. Do not go to SBA’s website to apply for a Year 2021 Paycheck Protection Program loan. Please apply directly with either of the five SBA-approved lenders in the Territory (Banco Popular, Bank of St. Croix, FirstBank, Merchants Commercial Bank or Oriental Bank). For further information on the Paycheck Protection Program, please contact Wayne Huddleston, the U.S. Small Business Administration’s Senior Area Manager for the U.S. Virgin Islands, at 340-473-7945.
Thus, the “State of the Bank Reports” presented to the Virgin Islands Banking Board by the Territory’s local banks, confirmed that the Territory’s housing sector was not in decline and is in good standing. The Federal Reserve conveyed similar welcoming news from a national perspective. On February 21, 2021, The Honorable James H. Powell, Chair of the Board of Governors of the Federal Reserve System, presented to the United States Senate’s Committee on Banking, Housing and Urban Affairs, the Federal Reserve’s semi-annual Monetary Policy Report. During his presentation, Chairman Powell stated, “The housing sector has more than fully recovered from the downturn, while business investment and manufacturing production have also picked up. The overall recovery in economic activity since last spring is due in part to unprecedented fiscal and monetary actions, which have provided essential support to many household, businesses, and communities.”

A second Order (copy attached) was issued on March 2, 2021 by Banking Board Chairman Roach in response to President Joseph R. Biden, Jr.’s Press Briefing on February 16, 2021, whereby the President recommended the mortgage forbearance period be extended until June 30, 2021, because of COVID-19’s continued economic plight on individuals and families’ housing needs. In concert with President Biden’s recommendation, all local banks and servicers will be ordered to offer mortgage loan forbearances to interested and qualified borrowers until June 30, 2021 (except for Fannie Mae and Freddie Mac backed loans, the deadline of which is March 31, 2021).

In closing, Chairman Blyden, Members of the Thirty-Fourth Legislature of the Virgin Islands Committee on Housing, Transportation and Telecommunications, other Senators present today and the listening and viewing audience, this concludes the Division’s testimony. The Division’s hardworking Staff Members are unequivocally dedicated to regulating the banking, insurance and financial services sectors in the Territory and protecting the financial interests of Virgin Islands residents. Thank you for the opportunity granted to the Division to appear before you today on behalf of the Virgin Islands Banking Board. May God Bless you and the People of the Virgin Islands. We are prepared to respond to your related questions.