

PANDEMIC AAR - AGENCY INPUT

Agency: **Department of Financial Institutions**

Representative: Drew Bouton, Director of Policy and Legislation

Executive Summary

The Department of Financial Institutions (DFI) responded to the pandemic by vigorously complying with emergency proclamations and directives issued by Governor Inslee. We acted quickly to protect employees by devising work-from-home arrangements to support social distancing, and supported employee vaccinations once they became available. We also implemented an emergency program to provide live, real-time assistance to callers with questions about their mortgages. We maintained regular contact with industries we regulate, many of which perform essential services. We worked with those industries and other agencies to connect small businesses with federal emergency funds, and negotiating payment moratoria with student loan servicers and mortgage lenders not subject to mortgage payment moratoria put in effect by federal housing finance authorities and the U.S. Department of Treasury.

Agency Impact

Identify the impacts to the agency in these main areas:

Internally: Initially, our operations were significantly impacted as a majority of our employees worked in our offices. With support from OFM, we quickly adopted work-from-home policies and procedures. This included logistical and IT support for newly remote employees, use of on-line meeting platforms, and more frequent informal check-ins with employees to ensure they felt connected and supported.

Externally: DFI closed its office along with other state agencies, but telephone access to live persons working for DFI during business hours remained uninterrupted throughout the pandemic. We also implemented a Mortgage Assistance Team of DFI mortgage experts to provide targeted assistance to consumers with questions or concerns about their mortgages.

Interagency: Members of DFI's leadership team participated in small business support working groups coordinated by the U.S. Small Business Administration and Washington State Department of Commerce. We also provided consultation with the governor's office on some proclamation content and related issues, and we provided personnel to support communications from the State's Emergency Management Center at Fort Murray. We volunteered several staff to help at the Department of Health and with the Employment Security Department. We also gave computers and equipment to the Department of Health to assist. We feel our involvement in these areas was constructive, timely and successful.

Agency's involvement in areas specifically listed in the legislation [SB 5092 (9)(d)(i) (A)-(H)]

(A) Aspects of the COVID-19 response that may inform future pandemic and all-hazards responses.

Discussion: Please see responses below.

(B) Emergency responses that would benefit the business community and workers during a pandemic.

Discussion: We recommend early and detailed identification of workers in key financial industries (e.g. banks, credit unions, securities, mortgage brokers and escrow agents, etc.) as essential workers. This supports the ongoing functioning of key economic functions during the emergency. DFI provided consumers with information about mortgage obligations in the wake of payment moratoria declared by federal housing finance authorities, and access to non-governmental housing counseling services. We also worked with the governor's office to issue guidance to regulated industry on how to support state and federal proclamations, directives and orders. DFI also published information about this on our website. Government emergency management and public health agencies also have an important contribution to this topic, such as access to personal protective equipment and authoritative public health guidance for employers.

(C) Standards regarding flexible rent and repayment plans for residential and commercial tenants during a pandemic.

Discussion: During the current pandemic, the lead agency for residential tenant and small business assistance has been the Washington State Department of Commerce. DFI responded to questions from the governor's office about the impact of commercial rent moratoria on tenants and property owners. Since most commercial leases have clauses placing personal liability for compliance with the terms of the lease with the tenant, it was uncertain if a lease payment moratorium would suspend that aspect of the lease contract. It is also our experience that terms of commercial leases may be subject to mid-term negotiation to find a mutually agreeable resolution to changed conditions, which a lease payment moratorium might undercut. This area might merit legal analysis.

(D) Whether establishing regional emergency management agencies would benefit Washington state emergency response to future pandemics.

Discussion: Since financial services are regulated by state and/or federal authorities, it isn't apparent that a regional structure would favorably impact response. However, close coordination with federal agencies such as the Small Business Administration and federal housing and mortgage regulators proved effective and consequential in implemented federally funded relief programs. Interstate cooperation on student loan repayment moratoria was beneficial in negotiating favorable considerations for borrowers affected by the pandemic.

(E) Gaps and needs for volunteers to support medical professionals in performing their pandemic emergency response functions within Washington State.

Discussion: DFI contributed to emergency communications efforts by the state's emergency response center, but otherwise has no relationship to the health care or public health sectors.

(F) Gaps and needs for tools to measure the scale of an impact caused by a pandemic and tailoring the pandemic response to affected regions based on the scale of the impact in those regions.

Discussion: DFI monitored mortgage payment and foreclosure data throughout the pandemic. We are looking at ways we might improve the amount of data we can access and its timeliness.

(G) Gaps and needs in health care system capacity and case tracking, monitoring, control, isolation and quarantine, and deploying medical supplies and personnel.

Discussion: DFI has no expertise in or recommendations for this section.

(H) Implementing guidelines for school closures during a pandemic.

Discussion: DFI has no expertise in or recommendations for this section.

Strengths

DFI has a skilled, professional and committed workforce. The DFI team met the challenges posed by the pandemic with a steady hand and sustained effort. DFI has strong working relationships with the industries we regulate and with non-governmental entities that support housing. We have good relationships with financial regulators from other states, bolstered in the past few years by DFI's leadership in creating a multi-state cooperative licensing agreement, with federal counterparts. We were able to effectively leverage these relationships to gain compliance with emergency orders, assist with the distribution of federal relief funds, and to negotiate repayment moratoria agreements with private student loan servicers not subject to federal mandates.

Areas for Improvement

DFI believes that the after action process will help identify areas where the state can better anticipate and plan for coordination across agencies to address housing and other economic factors impacted by a severe public health emergency. The state could benefit from maintaining a list of essential services that must remain in place during an emergency. The state might also benefit from developing a better understanding of commercial property lease agreements to be able to deploy when making decisions about potential interventions to support small businesses experiencing sustained losses because of closures.

Follow up Actions (intent to change plans, policies, or procedures)

DFI does not see a need to initiate changes in its operations or planning at this time.