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## **Draft regulations for Qualified Residential Mortgages issued**

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Lost in the reports of partisan bickering over the details of the federal budget is an issue of immense importance to CAI members, the total overhaul of the nation's mortgage finance system. Through legislation and pending regulatory proposals the federal government is hard at work constructing the framework that will govern who gets mortgages, for what type of home, and in what type of community for a generation to come. Most recently, the federal government issued draft regulations for Qualified Residential Mortgages (QRM) as required by the Wall Street Reform Act passed in 2010. The proposed regulation is more than 370 pages long and seeks input from stakeholders by asking more than 170 questions.

### **Impact of QRM Regulations**

When finalized, the QRM regulations will impact most commercial mortgage products and will have a big impact on buyer qualification and the ability of many potential buyers to obtain financing. The initial draft regulation contemplates many new mortgage requirements that include:

- \*The mortgage may only be for the principle residence with no balloon or interest-only payments.
- \*Buyers MUST make a minimum 20% down payment.
- \*Buyers must also pay for associated costs such as title insurance, lender fees and realtor commissions, such costs will not be permitted to be financed as part of the mortgage.
- \*Minimum credit standards for borrowers include provisions that the borrower cannot have any debt delinquencies within the previous two years and all debt payments must be current.

Despite voting to require the implementation of the QRM regulations, members of Congress are now expressing strong reservations over the stringent standards they helped put in place. CAI is concerned the QRM proposal may be too strict and will potentially exclude most homebuyers from receiving the best-priced and most affordable mortgages. An estimate released by a DC based financial trade association estimates that only 30% of current borrowers will meet the new QRM proposal or to put it more starkly, more than 70% of mortgages in the last decade would NOT meet the QRM standard as proposed. CAI warned Congress of just such an outcome in a letter dated July, 2010.

The regulations are open for public comment through May. CAI will submit comments to ensure the interests of residents in community associations are protected.

In April, CAI launched the Mortgage Matters Program to help condominium owners and industry professionals stay up to date on the many developments and changes happening in Washington on issues related to mortgages and community associations.

CAI continues to voice its concerns with the lack of transparency and public notice by FHA in developing its condominium guidelines. As part of the ongoing Mortgage Matters program, CAI is working to protect homeowners in community associations and to ensure access to fair and affordable mortgage products for all current and potential community association residents. You can

follow the work of CAI and share your thoughts at [www.caimortgagematters.org](http://www.caimortgagematters.org). CAI will continue to monitor and participate in shaping the development of guidelines and standards to ensure that the perspective of community associations is heard. If you have any questions email [government@caionline.org](mailto:government@caionline.org).

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