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CAI calling for Qualified Residential Mortgage rule to sync with Qualified Mortgage

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On March 11th, during a Capitol Hill panel discussion hosted by the Coalition for Sensible Housing Policy, housing experts highlighted the need to sync the forthcoming Qualified Residential Mortgage (QRM) rule with the recently released Qualified Mortgage (QM) rule and warned of the unintended consequences of a narrow QRM definition. The panel agreed that harmonizing QRM and QM will ensure that safe and sound lending protections are put in place, but without locking lower-wealth families out of homeownership or unduly restricting the housing market from efficiently accessing private capital. Failure to synch the rules could also entrench the market's current dependence on government-backed lending since FHA and the GSEs are exempted from the risk retention rule.

"Low down payments alone were not the cause of the crisis," said Julia Gordon of the Center for American Progress. "With appropriate underwriting and borrower support, low-down payment lending can be extremely safe and provide families with the opportunity to own homes in stable communities and build wealth for future generations."

"A narrow QRM will push loans to the GSEs or FHA. People say we want more private capital in the marketplace. A narrow QRM is not the way to do it," said Mike Fratantoni of the Mortgage Bankers Association.

"No documentation loans, poorly underwritten loans and other exotic features played a significant part in the subprime housing collapse," said Ken Edwards of the Center for Responsible Lending. "While we are not against down payments, a mandated down payment of 20, or even 10 percent, would block many qualified low to moderate-income borrowers from access to mortgage credit, especially African-American and Latino households."

"If we lock in a much tighter down payment rule, we undermine the ability of the housing market to move back to the historical relationship between a moderate government role and a robust private sector," said Ken Fears, an economist with the National Association of Realtors.

"The QRM will be a focal point for mortgage regulation yet to come. Let's not write a federal rule that says you have to put 20% down to access the most efficient financing, as that would exclude millions of responsible borrowers," said Ethan Handelman of the National Housing Conference.

The coalition, which is made up of 50 consumer organizations, civil rights groups, lenders, housing and real estate professionals with the shared goal of attracting private capital back to the mortgage market and ensuring safe, affordable loans for creditworthy homebuyers, recently wrote to federal regulators in opposition to "the addition of stringent down payment and other restrictive requirements on the QRM definition that will ultimately limit the ability of private capital to reach lower income households and first-time buyers. QRM should not be more restrictive than QM."

The data presented during the panel discussion can be downloaded at www.caionline.org.

CAI is working to ensure that residents of community associations have access to fair and affordable

mortgages through our engagement with Congress and federal agencies on the development of Qualified Residential Mortgage (QRM) regulations.

In 2010, congress passed the Wall Street Reform and Consumer Protection Act (also known as the Dodd-Frank Act). Included in the law are provisions that require seven federal agencies to draft regulations to set new standards for mortgages. These regulations will change the rules of the game as to who gets a mortgage, for what type of home, in what type of community on a scale not seen since the 1930s. When finalized, the regulations will impact nearly all lending decisions. CAI is working to ensure that any criteria for loan qualification in community associations are based on stakeholder input and industry best practices.

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