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CAI letter to Congress addresses Housing Finance Reform

June 05, 2014 - Owners Developers & Managers

CAI sent a letter to members of congress to share comments and recommendations concerning the housing finance reform discussion draft released by Senators Crapo and Johnson on March 16. The following excerpts from the letter highlight the key issues for CAI Members in Housing Finance Reform legislation.

Key Issues for CAI Members

1. Ensure continuation of community association mortgage standards that directly support access to mortgage credit for association homeowners.
2. Enhanced servicing standards to strengthen the community association model of housing and improve outcomes for distressed borrowers.
3. Ensure a regulatory environment that respects the local nature of real estate markets and consumer choice in housing.

Continuity of Community
Association Programs

Fannie Mae and Freddie Mac seller/servicer guides (the guidelines) serve the dual purpose of establishing nationwide minimum operational standards for community associations while ensuring consumer protection standards and access to mortgage credit for association homeowners. The guideline provide community association homeowners access to national credit markets.

Having worked under and with the guidelines over the past decades, CAI members have expressed concern that the discussion draft may not adequately ensure the continuity of these important industry and consumer standards. Community association homeowners, particularly condominium and cooperative households, could face difficulty in obtaining mortgage credit if the new housing finance system does not provide originators a clear path to the secondary market for these mortgages.

Servicing Standards for
Community Associations

Community associations interact with mortgage servicers, originators, and secondary mortgage market participants in a unique manner. This is due to relationships between homeowners, residents, and the association that are a matter of contract and of law. These relationships form the legal basis of the community association model of housing, protecting the financial viability of the community and the financial stability of association households.

CAI members encourage the committee to amend the discussion draft to ensure that the economic incentives of servicers and owners of a community association home/unit are aligned with those of the community at-large. Regrettably, extended foreclosure timelines and the refusal of some servicers to complete foreclosures on long-term abandoned properties has jeopardized the financial security of communities and forced association households to bear the burden of higher housing costs.

There is a pressing public policy need to consider the overall financial health of community associations and to preserve the financial model of collecting assessments for community services.

Regulatory Environment for Community Associations

Community association homeowners have benefitted greatly from the nationwide business operations of Fannie Mae and Freddie Mac. CAI members believe that any new housing finance system must support association homeowners and the community association model of housing by having a clear and identifiable duty to serve this market.

As the conservatorship of Fannie Mae and Freddie Mac has progressed and due to financial duress of the Federal Housing Administration's (FHA) Mutual Mortgage Insurance Fund (MMIF), CAI members have observed a reduced commitment to the community association marketplace by Federal Housing Finance Agency (FHFA) and FHA. If a new housing finance system is to support homeowners and their housing choices, the system must have a clearly defined statutory requirement to serve successful, sustainable, and growing housing markets like community associations.

CAI's initiative is a comprehensive response to critical challenges at the federal level. The common thread to each of these challenges is to ensure that potential homebuyers have access to affordable mortgage products and that the criteria used to determine loans in community associations are realistic measures of an association's financial health. As the rules being developed today will likely govern mortgages and thus the financial health of associations for the next several decades, the stakes could not be higher.

Common-interest communities-including homeowners associations, condominium communities and cooperatives-are home to more than one in five Americans-62 million people! Because community association residents assess themselves for the upkeep of their communities and their services and amenities, associations save state and local governments more than $40 billion a year in expenses that would otherwise fall on local taxpayers.