MORTGAGE BANKERS ASSOCIATION®
Investing in communities

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To: **Presidential Transition Team**
From: **John Courson, COO, Mortgage Bankers Association (MBA)**

MBA represents all sectors of the housing finance system – originators, servicers, insurers, investors and related service providers in both residential and commercial mortgages. MBA is eager to work closely with the Obama administration and the 111th Congress to help rebuild faith in our industry by restoring liquidity to the capital markets, assisting borrowers and renters in crisis and preventing reoccurrences of the recent troubles. In 2009, MBA will advocate policies in pursuit of these goals. Many of our priority issues are listed below for your information.

Restore Liquidity and Stimulate Housing and Mortgage Markets

Permanently Increase Conforming Loan Limits – MBA recommends a permanent increase in the standard conforming loan limit for single-family properties from $417,000 to $625,500, and that the limit for loans in high-cost areas remains at the level provided by the Economic Stimulus Act of 2008 (125 percent of the median home price for high-cost areas up to $729,750).

Tax Proposals – MBA supports an improved short-term homebuyer tax credit of up to 10 percent of the median area home price that is available at loan settlement to help with the purchase. We support a number of other tax proposals to encourage loan modifications, reduce vacant housing and assist borrowers and residential and commercial mortgage companies in these tough economic times.

Secondary Market Restructuring – A council of MBA members is conducting a comprehensive review of the secondary market and MBA will make recommendations early next year regarding the structure of its components, such as the GSEs, going forward in order to ensure liquidity. In the meantime, we will publish a white paper this month that will outline the major issues for consideration.

Troubled Assets Relief Program (TARP) – MBA supports the work of Treasury to date but continues to encourage TARP to purchase and modify troubled whole loans from commercial and residential lenders and servicers.

Interest Rate Buy Down Proposal – Without the benefit of plan details to examine, we cannot say at this time if we would support or oppose the rate buy down plan that is reportedly under consideration by Treasury. If implemented, we would encourage Treasury to include a limited refinance option.

Stimulate the Multifamily Sector – MBA encourages the Federal Reserve to purchase construction loan-backed Ginnie Mae securities at the same price as the market prices for permanent loan multifamily MBS. In addition, HUD should rapidly implement the provisions of HERA related to the streamlining of HUD processes for low-income housing tax credit properties and a program should be developed within the government to purchase (at a discounted interest rate) loans backed by multifamily properties assisted by low-income housing tax credits.

Avoid Allowing Mortgage Cramdown in Bankruptcy – Allowing judges to unilaterally modify primary residence mortgage contracts in bankruptcy would further discourage investment in mortgages and would increase costs to borrowers going forward. MBA opposes this change in law, as proposed in current legislation.

Assist Borrowers

MBA Refinance Proposal – MBA believes an effective borrower assistance program could overcome existing obstacles to modification and provide an outlet for performing and non-performing borrowers who have sufficient income to afford their mortgages under reasonable rate/term/principal scenarios. We are developing a government refinance program that would supplement and enhance existing government efforts and achieve these goals.

Tax Incentives to Encourage Loan Modification – Reducing some of the loss associated with loan modifications via the tax code will further encourage lenders and servicers to modify loans. Government securities created from these loans should also be tax-exempt and allowed to accrue tax-free interest.

Continue to Focus Assistance on No-contact Borrowers – Most foreclosures today fall into one of three categories: (1) Borrowers who bought the house as a speculative investment and do not live in the property; (2) Borrowers who have experienced a life-changing event that has made a previously affordable mortgage unaffordable even if modified; and (3) Borrowers who have not responded to contact by their servicer or lender. Efforts such as the HOPE NOW Alliance, which are focused on this third group, continue to be essential to preventing foreclosures.

Prevent Future Problems

Mortgage Reform Legislation – MBA will seek comprehensive legislation in the 111th Congress that will establish a single, nationwide consumer protection, anti-predatory lending standard; empower consumers by fixing our broken mortgage shopping and closing process; create a new federal mortgage regulator; and better regulate mortgage brokers.

Ensure FHA's Future Viability – Federal Housing Administration (FHA) programs have skyrocketed from being nearly irrelevant to the market two years ago to approaching half the market today, significantly increasing the risk to FHA. FHA must be allowed to price premiums for risk and be given the financial resources to hire the best people and use the best technology to manage this increased use.

Financial Education and Mortgage Counseling – Existing programs should be harmonized and well funded to improve financial literacy and available help for consumers. Consumer finance curriculum, including credit and mortgage basics, should be required in every high school in America.

Re-evaluate Fair Value Accounting – Fair value accounting for commercial and residential mortgage-backed securities in inactive markets compounds market crises by compelling institutions to mark down the value of held assets to fire sale prices. This pro-cyclical impact can be prevented and MBA will continue working with the SEC and FASB on possible solutions. Other financial accounting standards, such as proposed changes to FAS-140, should also be carefully reviewed.

Combat Mortgage Fraud – Fraud in real estate finance remains a growing problem and more resources are needed at local, state and federal levels to provide adequate enforcement of anti-fraud laws.

Conclusion

We look forward to working with the new administration and the new Congress on these items as well as stimulating the economy and addressing other relevant financial services issues. We are always available to provide information and answer questions as you develop programs and policies through the transition and beyond. You can reach me at JCourson@mortgagebankers.org or (202) 557-2702 or contact Josh Denney, MBA's Associate VP of Public Policy, at JDenney@mortgagebankers.org or (202) 557-2816 for assistance.