



**NAMBD Policy Agenda**  
**for the**  
**111<sup>th</sup> Congress**

**2009 Edition**

*Prepared by NAMBD Government Affairs Committee*

## **NAMB 2009 Policy Agenda**

The National Association of Mortgage Brokers (“NAMB”) is the voice of the nation’s mortgage brokerage industry. We are dedicated to helping Americans achieve and maintain the dream of homeownership. In 2009, NAMB will continue to work with Congress, federal and state regulators to address the problem of rising foreclosures, protect consumers’ personal and financial data, expand access to fair and affordable financing, and improve communication with consumers throughout the mortgage process.

2008 proved to be one of the most turbulent and challenging years the housing and mortgage industries have seen in recent history. Numerous legislative and regulatory actions were taken in an effort to not only stem increasing volatility in the markets, but to establish what happened. Despite the hectic environment in Washington, D.C., NAMB, once again, proved resilient and highly successful when faced with challenges. Thanks to strong support from NAMB members, we were able to provide effective advocacy and establish a strong foundation to build on for 2009.

2009 will undoubtedly bring change and transition as a new Administration takes office and a number of congressional seats are newly occupied. NAMB will work hard to develop and advocate proactive solutions that are effective in furthering the interests of our small business members so that they can continue to serve consumers in the communities in which they work and live. However, it will likely be another monumental year for both the housing and mortgage industries. NAMB will continue to make strong advocacy efforts a top priority in 2009.

NAMB has formulated several key initiatives to correct the mortgage and housing industries. These initiatives provide both legislative and regulatory actions needed to stem rising foreclosure rates, provide mortgage affordability to homeowners, and protect consumers by upholding safe and fair lending practices. Taking action to prevent further downturn of the mortgage and housing industries is essential to the revival of the U.S economy.

# Initiatives to Correct the Mortgage and Housing Industries

- 1. Permanently Increase the GSE Loan Limits & Suspend Add-on Fees.**
    - If there is no secondary market for mortgages all other efforts are wasted.
  - 2. Suspend Capital Gains on Investment Properties for 24 months.**
    - Investors sitting on the sideline should be incentivized to get into the market.
  - 3. Expand the USDA Guaranteed Loan Program to Cover All Areas.**
    - The USDA mortgage guarantee program has a solid track record and should be expanded and made available in all areas of the country.
  - 4. Permanently Increase FHA Loan Limits.**
    - Make permanent the increase in loan limits and reduce the down payment requirements. The market will not recover without first-time homebuyers.
  - 5. Ensure the Proper Use of Loan Funds & Reduce Inventory of Vacant Real Estate.**
    - Place safeguards over the TARP and stimulus plan funds going to the housing markets.
  - 6. Reform the Appraisal Process to Protect Consumers and Reflect Market Realities.**
    - The appraisal process is controlled by a few non-regulated Appraisal Management Companies. The appraisal system is overcompensating and under-valuing property. In addition, numerous banks own or have joint ventures with AMC's, which create a conflict of interest.
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- 1. Permanently Increase the GSE Loan Limits & Suspend Add-on Fees.**
  - Re-issue and make permanent the temporary loan limit increase of \$729,750 for high-cost areas.
    - Borrowers trying to finance loans above the GSE loan limits potentially face much higher interest rates and/or more adverse terms and conditions.
    - Increasing the loan limits will help ensure that safe and affordable home loans will once again be made available to homebuyers in high-cost areas, and will also provide safe and affordable refinance options.
  - Suspend all adverse credit fees imposed by the GSEs for a period of 24 months.
  - Suspend all adverse fees for investor loans imposed by the GSEs for a period of 24 months.
  - Revert back to 10 total investor loans for investors on GSE products.
  - Suspend the unreasonable fees being charged for credit scores between 620 and 699.
  - Suspend the excessive fees being charged for cash-out refinances.
  - Discontinue the harsh treatment of condominium properties.
  - Price jumbo agency loans without extra add-ons or special requirements.
  - Revise GSE guidelines so that rental income, dividends, notes payable, child support and other forms of alternative income are treated more favorably and qualified buyers are not shut-out of the market.
  - Establish GSE rates at 4.5% for refinancing and 4% for new purchases.
  - Streamline refinancing by setting a maximum origination fee for all distribution channels.

## **2. Suspend Capital Gains on Investment Properties for 24 Months.**

- Suspend the capital gains tax for investors who buy distressed and foreclosed properties for a period of 24 months.
- Make pre-foreclosure and current foreclosure properties available as rental properties, as rental payments are often more manageable for consumers.
- Create a tax incentive for investors to invest in revenue bonds for bond loans with 4% assistance for first time home buyers. The GSEs should purchase bond loans with 4% assistance.
- Establish a specific government guarantee on GSE Mortgage-Backed Securities (MBS) to reduce the spread between GSE MBS and Treasuries.

## **3. Expand the U.S. Department of Agriculture (USDA) Guaranteed Loan Program.**

- A USDA Guaranteed Loan is a government insured 100% purchase loan.
  - There are no downpayments, no monthly mortgage insurance, no maximum loan amount, etc.
  - USDA loans are not prone to some of the risks that faced subprime loans because the government-insurance program offers only fixed-rate loans and requires income verification.
  - Borrowers can refinance into a USDA-guaranteed loan to pay off current loans (including a first or second purchase money mortgage) that are not currently guaranteed; repair mechanical or structural deficiencies in their residence; pay for authorized closing loans; and consolidate debts of up to the greater of \$10,000 or 10% of the loan amount.
- Currently, the USDA Program is limited to rural areas, but should be expanded in order to provide relief.
  - Expand USDA Loan Program availability to all areas (not just rural) for a 12 month period.
  - An equivalent USDA Loan Program should be created and offered to lower income borrowers in all areas.
- Expand the income limits on the USDA Loan Program.
- Use TARP funds to expand the program.
  - 211,864 loans could be produced if \$25 billion in TARP Funds was allocated to USDA program (Numbers based on Projected 2009 Fiscal Year Average Loan Size = \$118,000)
- Extend the expanded USDA Loan Program only to first-time homebuyers.

## **4. Permanently Increase FHA Loan Limits.**

- Permanently increase FHA loan limits to 125% of an area's median sales price.
  - The temporary loan limit increases have provided much-needed mortgage liquidity and affordable single family mortgage loans, which are essential for market stabilization.
  - High cost areas, specifically California, have largely benefitted from the loan limit increases:
    - October 2007: 688 FHA insured mortgage loans
    - October 2008: Over 14,000 FHA insured mortgage loans
  - The expiration of the temporary loan limit increases will raise the cost of buying a home in high-cost areas and prevent market recovery.

- This same request has been made by members of Congress in a letter to Speaker of the House Nancy Pelosi (D-CA) and Minority Leader John Boehner (R-OH).
- Expansion of the FHA program will require \$50 billion in TARP funds.
- Suspend the increased down payment requirement required by FHA for a period of 12 months for first time homebuyers. Thereafter, keep it at the current 3% minimum investment.
- Eliminate any FHA downpayment requirement for first-time homebuyers with credit scores above 620.
- Make streamlined refinances available without appraisals above the original loan limit, so long as the only fees are settlement costs and a 1% origination fee.
  - Without such a change, over half of recent FHA borrowers will be trapped in higher-interest loans that are more likely to default.
- Expand the 203K Rehabilitation Program allowing for the financing of home improvements into the purchase money market.
- Relax FHA requirements for manufactured homes in order to spur much-needed development of low income housing.

**5. Ensure the Proper Use of Loan Funds and Reduce the Inventory of Vacant Real Estate.**

- Establish safeguards to ensure that borrowers who receive loan modifications or refinancing use the funds for mortgage payments only.
- Promote programs that allow investors to make tax-deferred IRA withdrawals for real estate investment purposes.
  - This will help reduce inventory and stem home value decline.
    - Increased inventory of vacant real estate drives down home values and negatively affects the municipal tax base, among other problems.

**6. Reform the Appraisal Process to Protect Consumers and Reflect Market Realities.**

- Withdraw the Home Valuation Code of Conduct (HVCC), which was established by an agreement between the New York Attorney General's Office, the GSEs, and the Federal Housing Finance Agency (FHFA).
  - This agreement will cost borrowers thousands of extra dollars.
  - This agreement puts control of settlement services in the hands of two national service providers with no competition.
- Establish uniform appraisal standards, which are overseen by an independent entity.
  - Appraisal standards are currently controlled by appraisers themselves, which has led to the creation of self-benefiting standards.
  - Often, costs are high and home values tend to remain depressed to protect appraisers conducting the evaluations.
  - Willing and knowledgeable buyers and sellers are often thwarted when they try to purchase a property for more than someone else has recently paid.
- Require appraisers to consider values based upon typical buyers and sellers.
  - Prohibit appraisers from using comparables from builders who are cash-strapped and investors who are desperate to sell. These are temporary phenomena that do not reflect normal market conditions.
- Prohibit lenders and the GSEs from pressuring appraisers to under-appraise.
- Prohibit lenders' underwriters – who are untrained, unqualified, and unlicensed appraisers – from resetting property values lower than what has been established by qualified appraisers.