

Week of December 17, 2007

Senate Passes FHA Reform Legislation

On Friday, December 14, the Senate passed S. 2338, the "Federal Housing Administration Modernization Act of 2007" by a vote of 93 to 1. This bill would increase FHA single family loan limits to the conforming loan limit, which are currently at \$417,000. S. 2338 would lower the down-payment requirement from 3 percent to 1.5 percent; prohibit seller-funded down-payment programs; lift the cap on HECMs; and contains a one-year moratorium on the implementation of risk-based premiums. The bill also prohibits, for two years, any increase of the multifamily mortgage insurance premium higher than the premium in place in October 2006. The House and Senate will need to reach agreement on the differences in their respective bills before a final version can be sent to the President.

House Judiciary Committee Approves Bankruptcy Legislation

On Wednesday, December 12, the House Judiciary Committee approved H.R. 3609, the "Emergency Home Ownership and Mortgage Equity Protection Act," by a vote of 17 to 15. The bill was approved by a party-line vote, with Steve Chabot (R-OH) the only Republican voting in favor of passage. MBA has strongly opposed this and other legislation that would allow bankruptcy judges to cram down mortgages on primary residences. The approved version limits cram downs to subprime and nontraditional mortgages originated after January 1, 2000 up through date of enactment. It will allow judges to make changes in rates, fees, terms and would permit a cram down in principal to the value of the home. MBA and a coalition of trades sent a letter to the Committee detailing our opposition and the positive steps that have already been taken to address the subprime crisis. MBA will continue to work with members to prevent passage of this bill.

Banking Committee Chairman Dodd Introduces Mortgage Reform Legislation

On Wednesday, December 12, Senate Banking Committee Chairman Christopher Dodd (D-CT) introduced S. 2452, the "Home Ownership Preservation and Protection Act." If enacted, the bill would reform mortgage practices in several areas: establish federal standards for offering mortgage products; prohibit steering; create an ability to repay standard for subprime and nontraditional mortgages; require escrows for taxes and insurance for subprime and nontraditional mortgages; require servicers to attempt loss mitigation before filing for foreclosure; and would attach liability to any person who purchases, holds, or is otherwise assigned a subprime or nontraditional mortgage. MBA is concerned the bill does not contain a uniform national standard and is troubled by the bill's 'good faith and fair dealing' and assignee liability requirements. MBA continues to examine the impact this bill will have on the mortgage market and borrowers and anticipates publishing a summary next week.

House Passes Revised Terrorism Insurance Legislation

On Wednesday, December 12, the House passed H.R. 4299, the "Terrorism Risk Insurance Program Reauthorization Act of 2007." Like the Senate-passed bill, H.R. 4299 would extend the program for seven years and not require insurers to make available coverage for a nuclear, biological, chemical or radiological (NCBR) attack. H.R.

4299 does contain provisions that were not included in the Senate bill. They would expand the program to include group life insurance, lower the trigger from \$100 million to \$50 million, and include a reset mechanism for significant terrorist attacks, mainly affecting those areas previously hit by terrorists. With the current program scheduled to expire at the end of the year, we expect the House and Senate to reach an agreement in the coming week.

MBA Sends Letters to GSES Regarding New Delivery Fees

On Thursday, December 13, MBA sent letters to Fannie Mae President and CEO Daniel Mudd and Freddie Mac Chairman and CEO Richard Syron expressing concerns with several pricing and contract changes. Fannie Mae and Freddie Mac both announced that they will be charging a 25 basis point delivery fee on all mortgages purchased beginning in March 2008. MBA believes these new pricing changes will increase costs of homeownership and has requested the opportunity to meet with both companies to discuss these and other changes.

Federal Reserve to Issue New Rules under HOEPA

Next week, the Federal Reserve Board is expected to issue new proposed rules for comment under the Home Ownership and Equity Protection Act (HOEPA). While details of the rule are unknown, they are likely to add new consumer protections for mortgages and address mortgage lending practices.

Senate Aging Committee Holds Hearing to Examine Reverse Mortgages

On Wednesday, December 12, the Senate Special Committee on Aging held a hearing entitled "Reverse Mortgages: Polishing not Tarnishing the Golden Years." Senator Claire McCaskill (D-MO) called the hearing to examine reverse mortgages and their growing market share. In recent years, home equity conversion mortgages (HECM or reverse mortgages) have become a more utilized tool by older homeowners. Senators focused on the advantages of these products, their growing popularity and cautioned about the potential for predatory lending.

MBA Hosts Call on NDS with State Regulators

As part of its continuing outreach efforts to state officials, MBA hosted a call yesterday in conjunction with the Conference of State Bank Supervisors to brief state banking regulators on the contents of MBA's Q3 National Delinquency Survey. Representatives from 33 state banking departments participated in the call, and heard from MBA's Chief Economist Doug Duncan about the current delinquency and foreclosure statistics.