Real Estate Facts Column

**A Look Ahead at Housing Regulations**

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***(584 Words)***

Over the past year the U.S. housing market has made significant strides. A look ahead, however, shows a number of regulatory issues left unresolved that could potentially harm the industry in 2013.

Several regulations on the horizon stemming from the Dodd-Frank Wall Street Reform and Consumer Protection Act could affect housing, mortgage finance, and homeownership. In addition, the question of how to reform Fannie Mae and Freddie Mac still remains unclear. As the leading advocate for homeownership, Realtors® want to make sure these changes will not harm the progress already experienced in the housing market or make mortgage lending more challenging.

One regulation that stems from Dodd-Frank is Qualified Mortgage. This regulation requires that no lender make a mortgage loan without making a reasonable and good faith determination that the borrower has the ability to repay the loan. The full rule for QM has not been determined yet, but depending on the definition, this regulation could reduce many consumers’ access to credit. The National Association of Realtors® supports a definition of QM that establishes strong consumer protections, promotes mortgage liquidity, and offers lenders a safe harbor to reduce litigation.

“Dodd-Frank was created to address abuses in the industry. While Realtors® recognize the need for additional regulation, regulators must avoid adopting unrealistic requirements that will affect homeowners and potential buyers, as well as do harm to the recovering housing market,” said **[full name and position of your local spokesperson]**.

What potentially could be another burdensome regulation is the Qualified Residential Mortgage. This requires that financial institutions retain 5 percent of the risk on loans they securitize. Exempt from the requirement are mortgages that meet the QRM definition, as well as FHA and VA mortgages. Currently, the proposed rule narrowly defines QRMs as requiring an 80 percent loan-to-value, which would require a 20 percent down payment. The rule would also limit mortgage payments to 28 percent of gross income – a very tight standard, according to Realtors®.

“The definition of QRM is important because it will determine the types of mortgages that will be available to borrowers in the future,” said **[last name of your local spokesperson]**. “NAR firmly believes Congress intended to create a broad QRM exemption − strong evidence shows that responsible lending standards and ensuring a borrower’s ability to repay have the greatest impact on reducing lender risk, and not high down payments.”

GSE reform is also likely to come up this year. Fannie Mae and Freddie Mac were placed under conservatorship by the Federal Housing Finance Agency in September 2008 and the debate continues over how to reform them. A number of comprehensive plans have been introduced to the public, as well as comprehensive legislation aimed at reforming the secondary mortgage market. Currently, there is no proverbial favorite, and discussion surrounding the GSEs is expected to continue through 2013.

NAR supports a comprehensive GSE reform strategy. Realtors® believe the new system must involve some government presence to ensure a continual flow of capital at all times and in all markets. Also, the secondary mortgage market model must ensure that mortgages are affordable and always available to creditworthy buyers, require sound underwriting standards, and provide for rigorous oversight.

“Issues like affordable financing and available credit doesn’t just affect people who own a home – homeownership shapes communities and strengthens the nation’s economy,” said **[last name of your local spokesperson]**. “We need to ensure that any regulations and reforms do not jeopardize a housing recovery and ensure the dream of homeownership is available to all Americans.”