

i. Agencies Release Draft QRM Rule

On March 29, 2011, NAR staff attended an FDIC board meeting during which they approved the soon-to-be-proposed rule on risk retention, implementing section 941 of the Dodd-Frank Act. Section 941 requires lenders that securitize mortgage loans to retain a percentage of the risk unless the mortgage is a qualified residential mortgage (QRM) or is otherwise exempt. The draft proposes a 60 day comment period after publication in the Federal Register and tentatively indicates a June 10th deadline. Definition of a QRM:

- The proposed QRM rule would require an 80% LTV, which requires a 20% down payment.
- The proposed rule would also limit the mortgage payment to 28% of gross income and 36% of all debts.
- Mortgage loan qualify as a QRM only if the borrower is not currently 30 or more days past due on any debt obligation.
- Borrower must not have been 60 or more days past due on any debt obligation within the preceding 24 months.
- Borrower must not have, within the preceding 36 months, been through bankruptcy, foreclosed on, engaged in a short sale or deed-in-lieu of foreclosure, or been subject to a Federal or State judgment for collection of any unpaid debt.

NAR has already raised concerns about the impact these standards will have on the pricing, terms, and availability of non-QRM loans to otherwise creditworthy borrowers, including low and moderate income borrowers. On March 16, 2011, NAR joined with the Center for Responsible Lending, the Consumer Federation of America, and the National Association of Home Builders urging federal regulators not to impose a high downpayment requirement that thwarts the will of Congress, impedes the economic recovery, or unnecessarily burdens American homebuyers.

ii. REALTORS® Urge Congress to Approach GSE Reform Slowly

On March 31, 2011, NAR President Ron Phipps urged Congress to move cautiously when reforming government-sponsored enterprises Fannie Mae and Freddie Mac. In testimony before the House Subcommittee on Capital Markets, Phipps stated that "NAR strongly agrees that the existing system failed and that reforms are needed; however, redesigning a viable secondary mortgage model that will protect taxpayer dollars and serve the country's home owners today, and in the future, can only be achieved through a methodical, measured effort."

NAR is concerned that without a comprehensive plan for reforming the secondary mortgage market, proposed legislation to quickly constrain Fannie Mae and Freddie Mac before an adequate replacement secondary mortgage market mechanism is established will further disrupt the still fragile housing market recovery.

Phipps also testified that the pendulum on mortgage credit has already swung too far in the wrong direction and is hurting consumers and the economy. He added that overreaching rules, like the qualified residential mortgage (QRM) exemption, could further curtail access to affordable credit and will only slow economic growth and hamper job creation.

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iii. NAR Meets with FTC on MARS Rule

On March 16, 2011, NAR staff met with the Federal Trade Commission (FTC) to discuss how obligations that exist under real estate brokerage agreements can be incorporated into and made consistent with the Mortgage Assistance Relief Services rule (MARS). The FTC acknowledged that the current rule's requirements present problems in a real estate brokerage context and agreed to work with NAR to develop additional guidance. Updates will be forthcoming once approved.

iv. Republican Budget Includes Tax Reform

On April 5, 2011, House Budget Committee Chairman Paul Ryan (R-WI) has introduced the outlines of a major budget proposal that is intended to reduce federal spending by over \$6 Trillion over the next 10 years. The primary focus of the proposal is an overhaul of the two largest entitlements, Medicare and Medicaid. Notably, though, the proposal also directs the Ways and Means Committee to overhaul the tax code with a goal of reducing the top corporate and individuals tax rates from their current 35% to no more than 25%. To achieve such a dramatic rate reduction, numerous tax benefits will need to be revised or repealed.

The Budget Committee has no jurisdiction to create the legislation that would overhaul the tax system. Thus, the Republican budget makes no statement about what provisions would be subject to revision or elimination. This budget submission should be viewed as the first step in a long journey that may continue into 2012 and 2013.

v. Congress Repeals Reporting Rules

The Senate has passed H.R. 4, a bill that repeals the small business 1099 reporting requirements that were enacted as part of the Health Care reform and the landlord reporting requirements enacted in 2010 as part of a Small Business bill. The measure passed on a strong bipartisan vote of 87 - 12. Similarly, the House had passed its version with a vote of 314 - 112. The House and Senate versions are identical, and President Obama has announced that he will sign the bill. The repeal is drafted as if the provisions had never been enacted. Thus, it is a complete and total repeal.

vi. Senator Introduced Bill to Eliminate Prepayment Penalty

Senator Ben Cardin (D-MD) has introduced S. 488, the "Reduce Excessive Interest Payments Act (REIP)". Under current law, FHA borrowers who prepay their mortgage (either as the result of a sale, a mortgage refinance, or any other reason) must close on the last day of the month. If they do not, they are required to pay interest for each of the remaining days of the month. No other loan - conventional, VA, or Rural Housing, has this requirement. NAR strongly supports this legislation. Borrowers often have little control over their closing date, and should not face penalties for failing to close on the last day of the month. S. 488 would eliminate the pre-payment interest penalties, and would save consumers hundreds of dollars when they pay off their FHA loan.

vii. FHA Announces New Condo Requirements

The US Department of Housing and Urban Development (HUD) announced a waiver of legal restrictions on conveyance for condominium projects approved by the Federal Housing Administration (FHA). The waiver allows condominium projects to restrict the leasing of units by unit owners. Condominium documents often include restrictions, such as requiring unit owners to lease units for no less than six months or that the owner will not use the unit for hotel or transient purposes. The HUD waiver states that this new policy will bring FHA insurance eligibility for condominiums in-line with modern real estate and lending practices.

HUD also announced that the HO-6 insurance waiver will expire on April 28, 2011. Mortgagee Letter 2009-46 B requires HO-6 insurance coverage for individual condominium units when the master policy does not include interior unit coverage. HO-6 coverage is "walls-in" policy that protects interior of units from damage caused by events such as fire, theft, or bad weather, among other things. FHA implemented a waiver of this requirement to allow lenders adequate time to adjust information technology infrastructure for underwriting systems which, at the time, did not accommodate for the collection and management of this data.

viii. Agencies Implement Sweeping Regulatory Review Process

On January 18, 2011, President Obama issued Executive Order 13563, which seeks to improve regulation and regulatory review. The Executive Order requires agencies to develop a plan to periodically review existing significant regulations to determine whether they could be "modified, streamlined, expanded, or repealed so as to make the agency's regulatory program more effective or less burdensome in achieving the regulatory objectives."

The Executive Order outlines several guiding principles for Federal agencies to follow in their regulations, such as ensuring that an agency's regulations:

- Take into account costs and benefits to society;
- Are based on the best available science;
- Are developed in a manner that allows public participation;
- Are accessible, consistent, and written in plain language; and
- Use the least burdensome methods to achieve regulatory goals

Agencies are requesting public comments on how well their existing regulations are consistent with the Executive Order's principles. Lots of agencies have already developed a webpage to accept comments on this process and what regulations the public believes should be changed, modified, repealed, etc. NAR will submit written comments to ensure the Realtor perspective on various regulations is on record for the federal agencies to review.

ix. Hill Fly-in with Executives from Diversified Real Estate Firms

At the March 1, 2011, RES Advisory Board meeting, members expressed a desire to work more closely with NAR to educate their Members of Congress on key issues of importance to the real estate industry. RES and Legislative staff worked together to arrange a D.C. fly-in for large firms to meet with key Members of Congress who serve on the House Financial Services Committee, the Senate Banking Committee, the House Ways and Means Committee and the Senate Finance Committee. The large brokers met to discuss key topics: MID, the Future of Housing Finance (GSEs), Flood insurance, and a host of regulatory issues that could harm affordable housing finance or the housing industry (QRM, 3% affiliate cap, and home warranties). Thirteen large firm members conducted 25 meetings during the weeks of March 31st and April 4th. NAR staff worked closely with Charlie Oppler, 2011 Large Firm Liaison, and the RES Chair and Vice Chair, Mike Pappas and Helen Hanna Casey.

x. NAR Launches REALTOR® Political Survival Initiative

The real estate industry is facing serious issues in Congress and in the regulatory agencies that govern mortgage financing this year and beyond. Issues such as MID, GSE Reform, conforming loan limits, NFIP and QRM-to name a few-will be debated and discussed. Decisions made on these issues and others could seriously impact REALTOR abilities to conduct business and serve clients.

In March 2011, NAR launched the REALTOR® Party Political Survival Initiative to ensure that the Voice of Real Estate is one of the most influential advocacy groups in America. . To fund such a nationwide effort, the REALTOR® Party Political Survival Initiative proposes a dedicated dues increase of \$40. Because it is "dedicated" to this initiative, the dues increase would be used exclusively to fund political advocacy efforts. Nearly 70 percent of this money is earmarked for state and local issues. If it is approved, over 50 percent of the NAR budget would be devoted to political advocacy, which consistently ranks among members as the number-one benefit they receive from NAR. The proposal will be voted on by the NAR Board of Directors at the Midyear Legislative Meetings & Trade Expo in May. To learn more about this proposal, please visit <http://www.realtoractioncenter.com/>.

xi. Limited Time 40% Savings on Select FedEx Office Services

Through May 31st, NAR members can save up to 40% on select copy and print services from FedEx Office, a proud participant in NAR's REALTOR Benefits® Program. Register online then simply present your FedEx Office discount card or enter your 10-digit account number online to receive twice the normal member discount at more than 1,800 FedEx Office locations nationwide. Visit http://www.realtor.org/realtor_benefits/benefits_partners/fedex?&cid=FX0048.

xii. 2011 Real Estate Services Forum: The Impact of Dodd-Frank on Real Estate"

The Real Estate Services program will host a forum titled "The Impact of Dodd-Frank on Real Estate" at NAR's 2011 Midyear Legislative Meetings and Trade Expo in Washington, D.C. Scheduled for Thursday, May 12 from 9:30am to 11:30am in the Marriott Ballroom Salon 3 at the Marriot Wardman Park Hotel, an esteemed panel will help REALTORS® understand the impact of the Dodd-Frank rule and its implementation, as well as the impact this rule has on the mortgage markets, their business and future clients. Panelists will include:



Steve Adamo (Moderator)
President & CEO
Weichert Financial Services



Phillip Schulman
Partner
K&L Gates



Jay Varon
Partner
Foley & Lardner LLP

Other events at the 2011 Midyear Legislative Meetings and Trade Expo you may find interesting include:

- **"The Future of Fannie Mae & Freddie Mac: Obama Options and Beyond: Regulatory Issues Forum"**
When: Tuesday, May 10 – 9:30am to 11:00am
Where: Marriott Wardman Park Hotel, Thurgood Marshall Ballroom NE
- **"Symposium on Mortgage Liquidity: Ensuring Mortgage Availability for Credit Worthy Homebuyers"**
When: Tuesday, May 10 – 2:00pm to 4:00pm
Where: Marriott Wardman Park Hotel, Marriott Ballroom
Who: *Ron Phipps, President, NAR*
Martin Eakes, CEO, Center for Responsible Lending
Cara Heiden, Co-President, Wells Fargo
Mark Morial, President and CEO, National Urban League
Doug Jones, Consumer Sales & Institutional Mortgage Services Executive, Bank of America Home Loans
Diana Olick, Real Estate Reporter, CNBC (Moderator)
Ray Romano, Chief Credit Risk Officer and Executive Vice President, Freddie Mac
Rajinder (Raj) Singh, Chief Risk Officer, CitiMortgage
Michael Williams, CEO, Fannie Mae

UPCOMING DATA RELEASES

Wednesday, April 20

March Existing-Home Sales

Thursday, April 28

Pending Home Sales Index

Tuesday, May 10

**1st Qtr. Metro Home Prices/
State Resales**

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