



2019 MBA National Advocacy Conference: Thoughts from Massachusetts

April 3, 2019

About the MMBA

The Massachusetts Mortgage Bankers Association (MMBA) is the Commonwealth's trade association representing the real estate finance industry. Founded in 1974, the MMBA is the largest mortgage association in New England and is one of the most successful in the country. The association works to ensure the continued strength of the Commonwealth's residential real estate markets; to expand homeownership prospects through affordability; and to extend access to affordable housing. The MMBA promotes fair and ethical lending practices and promotes excellence and integrity among real estate finance professionals through a wide range of educational programs, advocacy and industry-wide publication.

The Massachusetts Mortgage Bankers Association (MMBA) represents 239 lending institutions made up of equal representation between depository institutions (banks and credit unions) and non-depository institutions (independent mortgage banker companies, mortgage brokers and all ancillary companies) which facilitate mortgage transactions throughout the Commonwealth.

Regulatory Clarity

CFPB Reform:

The MMBA encourages the CFPB to replace 'regulation by enforcement' policy with an approach focused on issuing clear rules, supplemented by authoritative written guidance where necessary. Such guidance should be reliable, timely, and issued in accordance with a clearly defined regulatory process that invites stakeholder input. Authoritative written guidance ensures consistent consumer treatment, facilitates efficient compliance and reduces implementation costs.

Action Needed: The MMBA strongly believes that the CFPB should provide more guidance. We encourage legislators to support the reintroduction of legislation (similar to the Perlmutter/Duffy/Lankford legislation in the prior Congress) that provides clear, well-defined regulatory guidance – a "rule on rules" – regarding the Bureau's enforcement policy.

CFPB Mortgage Regulatory Clarity:

The MMBA encourages the CFPB to examine, update and provide guidance for the following rules:

- Holistic fixes to the **Qualified Mortgage** rule including the expansion of QM safe harbor; make the GSE patch permanent or find suitable alternative; allow alternatives to Appendix Q; increase the threshold for the 3% Points/Fees Cap to \$200,000; broaden right to cure and exclude affiliate charges from 3% points and fees threshold
- **TRID** needs more clarity such as more written guidance, FAQs to eliminate compliance uncertainty and clarify ability to cure and liability issues
- Address **HMDA** rule privacy concerns.

The Self-Employed Mortgage Access Act (S.540)

This Act addresses the challenges in documenting the ability to repay for borrowers with non-traditional forms of income.

This bipartisan legislation would allow the use of existing standards for documenting borrower income and debt, which are found in the GSE Seller/Servicer Guides and the FHA/VA/RHS Handbooks, as alternatives to the standards required by Appendix Q

Action Needed: The MMBA encourages Senators to co-sponsor and support S.540 filed by Senators Mark Warner (D-VA) and Mike Rounds (R-SD)

ADVOCACY ISSUES

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GSE Reform

The MMBA supports a system that promotes affordable housing, provides liquidity in the market, ensures safe mortgage products, competitive mortgage interest rates and allows mortgage lenders (banks, credit unions and mortgage lenders) to provide consumers with safe mortgage products at market interest rates. In order to protect consumers and provide a financial system with strong guardrails and strong checks and balances, the freedom to operate and create competition in the marketplace must be part of any GSE Reform legislation.

Fannie Mae, Freddie Mac and the secondary market is a vital part of ensuring consumers can realize the American Dream of homeownership. Fannie Mae and Freddie Mac have been under conservatorship since 2008 and although the conservatorship period has been good for the GSE's and the housing market, conservatorships are not sustainable and cause uncertainty in the mortgage industry.

Action Needed: The MMBA strongly encourages legislators to act NOW on thoughtful and comprehensive GSE Reform legislation and ensure that it contains:

- **Equal credit access** so that a consumer can expect the same interest rates and products regardless if they apply for a mortgage with a local mortgage lender or a national lender.
- **Liquidity** to ensure expanding home ownership, serving low and moderate income borrowers and providing new and improved products to meet the changing needs of consumers. Federal Government's support of housing finance is a key component of that liquidity.
- **Preservation of the 30 year, fixed-rate, pre-payable residential mortgage.**
- **Transparent regulation** for the protection of consumers and taxpayers.
- Allow the new entity to set and maintain **uniform standards.**
- **Preservation of service retained or sold options** so that a consumer can maintain a relationship with their local mortgage lender

Federal Housing Program Support

FHA, VA, USDA and Ginnie Mae loans are critical to first-time and low-to-moderate income borrowers and veterans.

These programs often struggle with outdated technology and systems as well as a staff that is stretched too thin. Such problems can degrade service levels, hurt consumers and put taxpayers at risk in the event of operational failures.

Action Needed: The MMBA strongly encourages legislators to support these programs with resources for staffing and technology system upgrades to be efficient and manage risks.

AFFORDABLE HOUSING

Access to and affordability of owner-occupied and rental housing continues to challenge multiple communities across the country.

"Our big problem in Massachusetts right now, especially for young people and young families, is we just don't have any supply," Governor Charlie Baker said. "Whenever anything goes on the market, because there's no supply, it gets bid up by those who are out there looking for a place to buy, and that just pushes everybody farther and farther away from where they work and then requires them to spend tons of time getting to and from work or to and from school, and this is just something we need to get done."

Action Needed: The MMBA strongly believes that the issue needs to be addressed on Federal, State and Local levels Congress should examine policies; consider legislation; and encourage state and local governments to enact or expand policies that remove barriers to housing development and maintains access and affordability throughout the entire housing finance system.

RESTORING FHLB MEMBERSHIP STATUS

MMBA supports correcting a harmful Federal Housing Finance Agency (FHFA) rule that restricted access to the Federal Home Loan Bank (FHLB) system by mortgage real estate investment trusts (REITs). Restoring membership to these REITs would provide a stable source of matched-duration funding to these important holders of mortgage assets. MMBA also believes it is time to begin rethinking the FHLB membership framework for today's housing finance market.

Action Needed: The MMBA strongly encourages legislators to restore FHLB Membership

Student Loan Debt

Student debt is increasing at an alarming rate. Many potential first time home buyers are unable to qualify for a home purchase because of loan payments. It is time for all industries to broaden legislative efforts and support students achieving a college education. In the words of Nelson Mandela, "Education is the most powerful weapon you can use to change the world".

Action Needed: The MMBA strongly encourages legislators to carefully consider student loan legislation and ensure that:

- Current legislative efforts focus on future college affordability and we need to address the needs of the 44 million that are struggling NOW to pay student loan debt.
- Current legislative efforts focus on those that are facing severe financial crisis such as bankruptcy and defaults. Legislative efforts also need to assist those who are managing to pay their student loans but affording little else. Many with student loan debt cannot afford a car, rent or save for a down payment to purchase a home.
- Current legislative efforts need to tackle the massive racial gap in student loan defaults. African-American students earning a four-year degree are four times more likely to default and also disproportionately attend for-profit colleges.