

## **Creditworthy Homebuyers Need Sound Financing – May 10, 2011**

Yesterday (May 10th) at the National Association of REALTORS Midyear Meeting, NAR sponsored a "Symposium on Mortgage Liquidity" that addressed the current challenges that impact the availability and accessibility of mortgage financing for qualified borrowers. Here is a recap of the symposium.

The pendulum on mortgage credit has swung too far in the other direction after the recent housing downturn and is putting an unnecessary burden on creditworthy consumers, impeding the economic and housing market recoveries. That's what a panel of industry experts told several thousand Realtors® gathered at a special symposium, *Ensuring Mortgage Availability for Creditworthy Homebuyers*, during the Realtors® 2011 Midyear Meeting in Washington, D.C.

"As the leading advocate for home ownership, the National Association of Realtors® believes that we cannot have a viable housing or economic recovery until creditworthy homebuyers are able to obtain mortgage financing," said NAR President Ron Phipps, broker-president of Phipps Realty in Warwick, R.I. "Reforms were needed to get rid of the harmful products that led to the housing meltdown, but continuing to curtail access to affordable credit for qualified home buyers affects the entire economy."

Panelists offered their perspectives on the current state of the industry and identified numerous challenges impacting the availability and accessibility of mortgage financing and agreed that making it harder for those who can afford a safe mortgage does not further the goals of the housing or economic recovery.

David H. Stevens, former assistant secretary of the U.S. Department of Housing and Urban Development and Federal Housing Administration commissioner, told attendees the entire financial industry made bad decisions regarding risky loan products and there is no doubt that reforms are needed to get back to a level of sustainable access where qualified consumers are able to achieve home ownership.

According to the *2011 NAR Member Profile*, 34 percent of Realtors® reported that the most important factor in limiting their clients' ability to buy a home was difficulty in obtaining a mortgage.

"The industry needs to work together to collectively ensure there are accessible and affordable mortgage products available to meet current demand as well as that of the 17 million individuals who will require housing in the next decade," said Stevens, incoming president and chief executive officer for the Mortgage Bankers Association of America.

When asked if there has been a shift in America's perspective about the value of owning a home following the downturn, Stevens was optimistic, saying affordability is better today than it's ever been and if consumers are well qualified, have a job and can afford a mortgage they'll realize it's a better financial option and has greater social benefits such as more stable communities, better education, and lower crime.

Other panelists agreed that owning a home continues to be a goal for many families and that many Americans still consider buying a home a good long-term financial investment.

Panelists also answered questions and addressed the concerns of Realtors® attending the symposium about ongoing issues with residential appraisals and improving mortgage servicing and foreclosure processing.

Hundreds of Realtors® will be visiting Capitol Hill later this week to urge congressional leaders to support policies that ensure qualified borrowers can obtain safe and sound mortgage financing products. Realtors® will also be advocating that the current GSE and FHA loan limits be extended to prevent an immediate negative impact on the availability of affordable mortgages for numerous markets across the nation. According to NAR research, reverting to the statutory limits will reduce limits in 619 counties and 41 states and the District of Columbia – the average decline in loan limits will be more than \$58,000.

NAR also has concerns about the proposed risk retention regulation under the Dodd-Frank Act that requires lenders that securitize mortgage loans to retain 5 percent of the credit risk unless the mortgage is a qualified residential mortgage (QRM). High down payment requirements are being proposed by federal regulatory agencies as part of the QRM exemption. Most Americans still consider having enough money for down payment and closing costs to be the biggest obstacles to buying a home. According to NAR estimates it could take as many as 14 years for the average family to save for their down payment. Higher down payments do not have a meaningful impact on default rates; NAR supports a reasonable and affordable cash investment requirement coupled with quality credit standards, strong documentation and sound underwriting.

Other panelists included Martin Eakes, chief executive officer, Center for Responsible Lending; Cara Heiden, co-president for Wells Fargo Home Mortgage; Doug Jones, consumer sales and institutional mortgage services executive, Bank of America Home Loans; Patricia McClung, vice president of single family offerings management, Freddie Mac; Marc Morial, president and chief executive officer, National Urban League; Rajinder Singh, chief risk officer, CitiMortgage; and Michael Williams, chief executive officer, Fannie Mae. CNBC Real Estate Reporter Diana Olick moderated the symposium.