

CAI Joins Stakeholder Groups with Concerns on Qualified Residential Mortgage Regulations

CAI has signed on to a letter urging the federal government to take a studied approach to overhauling the mortgage finance system. Under provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, 7 federal agencies were empowered to draft regulations defining Qualified Residential Mortgages (QRM). The goal of developing QRM is to provide strong underwriting requirements and incentives for responsible lending and borrowing. If a mortgage does not meet the requirements established under the QRM regulations, a lender will have to retain partial ownership of the loan. This would be a strong disincentive to lending. For community associations the outcome of the QRM regulatory process could very well determine the future mortgage-ability of units in associations.

When it comes to setting underwriting standards for homes in community associations, federal agencies have demonstrated a lack of understanding of community association fundamentals. For example, the Federal Housing Finance Agency (FHFA) proposed a regulation that would prohibit most federally backed mortgages for any property in a community association with a deed-based transfer fee. According to a CAI member survey, 49% of all associations utilize such fees, thus if implemented, up to 11 million homes would be cut off from most federally backed mortgage products. Another example of this challenge is the Federal Housing Administration (FHA) condominium underwriting guidelines. These rules set the criteria for qualifying for FHA mortgages for condo purchases, an increasingly important source of financing for condo buyers. The criteria set by FHA, which include tight delinquency criteria, limits on investor owned units and rental restrictions, have proven to be a significant hurdle for many condominium associations. Complicating such matters, associations that have taken steps to limit rentals, to meet FHA owner occupancy requirements, are being rejected by FHA for restricting free transferability of property. Both FHA and FHFA will be part of the cabal of federal agencies drafting the QRM regulations.

The challenge for the federal government is to develop regulations that clearly and fairly define acceptable risk for mortgage lending while still providing the private markets with the flexibility to develop different mortgage products for different segments of the market. If the regulations are too narrow, mortgage costs will increase; if they are too broad, lenders may find themselves facing another financial crisis. The scope of the challenges is as great as the stakes and CAI's goal in the process is to ensure that whatever criteria are adopted, they are the product of an informed and deliberate process that takes into account the one in five homes in community associations. This letter supplements CAI's comments to the same federal agencies in December, our work on the FHA condominium guidelines and our efforts on the FHFA private transfer fee regulation.

The industry letter was signed by a diverse group of housing, consumer and mortgage related organizations including CAI, the National Association of Homebuilders, The National Association of Realtors, Asian Real Estate Association of America, Center for

Responsible Lending, Community Mortgage Banking Project, Community Mortgage Lenders of America, Consumer Federation of America, Mortgage Bankers, Mortgage Insurance Companies of America, National Association of Real Estate Brokers and the American Land Title Association. [You can read the letter here.](#)