CAI Advocate Bulletin: Mortgage Finance Reform

The Issue

» The current mortgage finance system is dominated by two congressionally-chartered companies, Fannie Mae and Freddie Mac, and the Federal Housing Administration (FHA).

» Fannie Mae and Freddie Mac community association mortgage standards directly help lenders fund mortgages for association homeowners.

» Fannie Mae, Freddie Mac, and FHA have each developed lender standards for community associations. Continuing these standards that support community associations is the critical issue at stake for community associations and association homeowners in the mortgage finance reform debate.

The Message

» In 2014, the Federal Housing Finance Agency (FHFA) began a campaign against state statutes that allow community associations to obtain lien priority over first mortgages for unpaid association assessments. FHFA is suing community associations in federal court in Nevada to prevent Fannie Mae and Freddie Mac from being subject to community association lien priority. By asking a federal court to intervene against these community associations, FHFA is attempting to push the cost of maintaining vacant and abandoned homes on community associations and association homeowners.

» Community associations and lenders need evidence-based, reasonable mortgage market standards. Eliminating existing community association standards developed by Fannie Mae and Freddie Mac with no plan for replacing these standards will significantly harm every community association and all association homeowners and residents.

The Ask

» **Protect state statutes that permit lien priority for community associations.** Currently, 22 states and the District of Columbia grant priority for community association liens in a foreclosure. These statutes provide some measure of financial stability for community associations impacted by high foreclosure rates, while incentivizing mortgage lenders and servicers to complete foreclosures on vacant or abandoned homes.

» **Ensure continuation of community association mortgage standards.** Support housing finance reform legislation requiring that federal regulators verify that evidence-based standards for community associations have been developed, tested, and accepted by community associations, lenders, and mortgage investors prior to transitioning to a new mortgage finance system.