



The Housing Finance System touches every American household. Without it mortgages would be harder to obtain, housing costs would be higher, and fewer Americans would own homes.

The fastest growing form of housing in the U.S. is community associations, also known as condominiums, homeowners associations, housing cooperatives, and planned communities. More than 21% of the U.S. population is housed in a community association.

In the subprime mortgage crisis, as home values plummeted and consumers defaulted on mortgages, the Housing Finance System approached total collapse. The federal government successfully used \$187 billion in taxpayer funds to rescue and stabilize the failed System, but allowed it to continue operations without significant reform.

With economic recovery well underway, federal policymakers are considering reforms to the Housing Finance System. Community associations and association residents have a direct interest in the outcome of this debate. The System—

- » applies nationwide standards for association governance, insurance, and financial stability, protecting the interests of association residents;
- » provides lenders confidence when extending mortgage credit for the purchase or refinance of a community association home; and
- » ensures mortgage credit is available for consumers and owners living in all forms of community associations.

The following Housing Finance Reform Principles were developed by the Community Associations Institute's (CAI) Housing Finance Reform Task Force and adopted by the CAI Federal Legislative Action Committee.



## **CAI Housing Finance Reform Principles General Principles for the U.S. Housing Market**

1. Protect access to 30-year, fixed-rate, pre-payable mortgages.
2. Ensure a liquid secondary mortgage market, accessible on a nationwide basis in all phases of the business cycle.
3. Preserve/improve the role of federal housing-related agencies in supporting the community association housing model (Federal Housing Administration, Veterans Administration, USDA Rural Housing), ensuring access to mortgage credit for under-served and/or specified populations.
4. Subject to appropriate regulatory guidance, capital requirements, and prudential safety and soundness supervision, encourage competition and innovation by private firms in originating, aggregating, and servicing mortgages, including obtaining credit enhancements and issuing mortgage-backed securities.
5. Any securitization platform for mortgage backed securities should include the following:
  - a. Mortgage-backed securities issued through the federal agencies should be eligible for a principle and interest federal government guarantee.
  - b. Require any issuers of mortgage-backed securities to build a federally-required capital buffer to absorb catastrophic losses.
6. A federal entity should supervise the secondary mortgage market, establishing standards concerning originations, credit enhancements, and servicing and pooling agreements for securitized mortgages.

## **Core Principles for the Community Association Housing Model**

1. Preserve continuity of community association project standards in the housing finance system to ensure the stability of mortgagee security and encourage minimum insurance, governance, appraisal, and property standards within the community association housing model to ensure access to credit for homeowners and consumers.
2. Require that secondary mortgage market participants comply with state laws establishing community association lien priority.
3. Any securitization platform for mortgage backed securities should include the following:
  - a. Require that the originator make an affirmative determination that the borrower has a reasonable ability to repay the loan, including any community association assessments.
  - b. Mortgages secured by real property in community associations must be treated equally irrespective of housing type, geographic location, and market conditions.
  - c. Standard servicing and pooling agreements must require mortgage servicers to comply with the terms of those agreements as well as state and federal law, with mandatory repurchase, recourse, or other enhanced penalties and/or remedies if a servicer fails to meet contractual obligations to issuers or mortgage investors.
4. To ensure adequate underwriting, the mortgage industry must adopt a common taxonomy for loan and property features that accurately capture and record data concerning all forms of community associations.
5. A federal secondary mortgage market supervisory agency must have a duty to ensure liquidity for homes in a community association and enforce underwriting and project standards for community associations.