

2013 NAR Legislative & Regulatory Year in Review

(As of December 12, 2013)

Safe Harbor in Qualified Mortgage (QM) Rule

NAR achieved a significant victory in obtaining a safe harbor in the Consumer Financial Protection Bureau's (CFPB) QM rule - a law that ensures lenders only make loans to borrowers who have the ability to repay the loan. By originating a QM, the creditor is presumed to have complied with the general ability-to-repay standard and receives a safe harbor that reduces their litigation exposure. NAR and its industry partners fought for several months to ensure that the less safe "rebuttable presumption" was not adopted as the primary standard. However, NAR believes there are still serious concerns with the QM rule, specifically the 3% cap on fees and points from affiliated lenders that should be addressed by Congress before it is implemented in 2014. NAR is committed to working with Congress to fix this unintended consequence of the ability-to-repay rule.

Re-proposed Qualified Residential Mortgage (QRM) Rule

After strong opposition from NAR, congressional leaders, and consumer and industry groups, the CFPB re-proposed the QRM rule and aligned the definition of QRM with the same standards of QM. As originally proposed, the QRM rule narrowly defined QRMs to require a 20 percent down payment to insure an 80 percent loan-to-value ratio. REALTORS® were among the most vocal opponents of the originally proposed QRM rule and forged the broad-based Coalition for Sensible Housing Policy, which includes nearly 50 organizations, to draw attention to the regulations onerous 20 percent down payment requirement and other credit limiting features such as debt-to-income limits. The coalition asked for and received an extension of the proposed regulation comment period. During that time, NAR and its coalition partners gathered the support of 44 U.S. Senators and 282 House members, who wrote to regulators expressing their intent on QRM and opposing the sizable down payment requirement.

Final RESPA/TILA Rule Reflects NAR's Suggestions

Following months of outreach by NAR, the CFPB issued the final RESPA/TILA rule in November. The CFPB followed many of NAR's suggestions to improve its initial proposal including limiting the three-day waiting period for virtually any changes to the settlement statement (HUD-1). Now, only major changes to loan type, terms, or pricing will require a waiting period, similar to current TILA rules. Additionally, CFPB also abandoned the all-in APR that NAR viewed as counterproductive and confusing to consumers. NAR will continue to work with CFPB to ensure that the rule does not inadvertently increase costs, delay transactions, or otherwise make it more difficult for consumers to purchase homes.

Extending Rural Housing Definition

NAR successfully worked to include language in both the House and Senate Appropriations bills to extend the rural housing definition for one year. Additionally, NAR championed language in the Senate version of the FARM Bill to extend the definition through 2020. NAR will continue to advocate for passage of these bills.

Preserving FHA and Ensuring Secondary Mortgage Market Finance

NAR supports a comprehensive approach to restructuring the secondary mortgage market, including winding down Fannie Mae and Freddie Mac (the government sponsored enterprises, or GSEs), but believes any new secondary market entity replacing the enterprises must have an explicit government guarantee. Similarly, NAR believes the Federal Housing Administration (FHA) has been making significant changes to address its financial problems. As such, NAR strongly opposes the "The Protecting

American Taxpayers and Homeowners (PATH) Act” which has two major goals: 1) dissolve Fannie Mae and Freddie Mac and replace them with a new secondary mortgage market structure that does not include a government guarantee and 2) restructure and limit the FHA Mortgage Insurance Program. NAR has testified before the House Financial Services Committee and sent several letters to Congress outlining our opposition for this bill. NAR will continue to work with Members of Congress to ensure our position is clear, not only on this bill, but any other proposed legislation.

Maintaining Current GSE Loan Limits

NAR is leading the effort to keep the Federal Housing Finance Agency (FHFA) from reducing conforming loan limits for Fannie Mae and Freddie Mac. Through its September 17th letter and meeting between President Gary Thomas and Acting Director Ed DeMarco, NAR rallied its industry partners to take similar actions. Concurrently, NAR helped secure bipartisan Congressional support for this effort by getting 13 Senators and 66 members of the House of Representatives to send letters to FHFA asking them not to take action at this time.

NAR Works with CFPB to Host Roundtables

NAR was instrumental in organizing a series of mortgage policy roundtable between industry trade groups and the Consumer Financial Protection Bureau (CFPB) earlier this year in several cities including Atlanta, GA.; Des Moines, IA; and Boston, MA. Director Richard Cordray met with industry stakeholders to discuss, among other topics, the Ability-To-Repay (QM) rule and mortgage servicing standards. During this discussion, CFPB noted it listened to both consumer and industry groups and crafted rules that attempted to address the groups’ main concerns. REALTOR[®] members were also clear that their clients need to hear a positive message from the CFPB and NAR that the uncertainty in the mortgage marketplace is being addressed.

Preserving Homeownership Tax Policies

Both the House and Senate are considering options to reform the federal tax system using approaches that would broaden the tax base by eliminating undetermined tax deduction, exemption, and credits, and using at least part of the revenue saved to lower taxes. While not every tax provision is likely to be eliminated, those benefitting homeownership and real estate investment are particularly vulnerable because they are among the largest “tax expenditures.” NAR believes that current-law real estate tax provisions are vital to the health of the economy and to homeownership. NAR has submitted several letters to Congress outlining our position on tax reform and will continue its ongoing dialogue with Members of Congress to ensure our message is heard.

Safeguarding Consumer Data Privacy

NAR is working with Congress and regulators to develop appropriate legislative and regulatory best practices to lessen the potential for breaches and identify theft. We are also working with REALTOR[®] University to develop education protocols for REALTORS[®].

Bolstering Commercial Real Estate Lending

NAR has positioned itself to proactively foster legislation in 2014 by commenting on federal regulations pertaining to Basel III, Dodd-Frank Qualified Commercial Real Estate loan provisions and the Financial Accounting Standards Board rule regarding the value and importance of liquidity in commercial credit markets.

Extending Mortgage Cancellation Relief

NAR successfully worked with the House and Senate to introduce companion bills which would extend the current law provision that allows tax relief for homeowners when lenders forgive some portion of mortgage debt they owe.