

COALITION FOR SENSIBLE HOUSING POLICY

Hosted by the National Association of REALTORS®

BASEL, QM & QRM: COULD NEW RULES DERAIL THE HOUSING RECOVERY?

The impact of regulatory uncertainty on affordable mortgage lending in the U.S.

Thursday, July 26, 2012

9:30am – 1:30pm



COALITION FOR SENSIBLE HOUSING POLICY

www.sensiblehousingpolicy.org

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American Escrow Association
American Financial Services Association
American Land Title Association
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Basel, QM and QRM – Could New Rules Derail the Housing Recovery?

The impact of regulatory uncertainty on affordable mortgage lending in the U.S.

Please join the Coalition for Sensible Housing Policy at a symposium hosted by the National Association of REALTORS® examining the impact on homebuyers, mortgage industry participants, and the housing market recovery caused by the pending rulemakings for the Qualified Mortgage and Qualified Residential Mortgage rules mandated by the Dodd-Frank Act, and the Federal Reserve’s recently proposed Basel III international capital standards. These three pieces of unfinished business leave industry participants unclear on what will be required of them to originate mortgages, and some proposals point toward unavoidable higher costs for homebuyers.

Date: Thursday, July 26
Time: 9:30 am – 1:30 pm
Location: National Association of REALTORS®
500 New Jersey Ave NW, Washington, DC 20001
12th Floor Event Room

9:30 am Coffee & Donuts, NAR Rooftop

10:00 am Welcome
Jerry Giovaniello, National Association of REALTORS®

10:05 am **Understanding Basel III’s Mortgage Provisions: A primer**
Ray Natter, Barnett Siron & Natter

The proposed Basel III international capital rules will require significantly higher capital standards for mortgage assets and mortgage servicing held by banks of all sizes. Sharply higher risk weightings for mortgages (except those with very large down payments) and punitive treatment of mortgage servicing assets could alter the role of banks in the housing finance system. The Basel rules, in turn, heighten the importance of the Ability to Repay and Qualified Residential Mortgage rulemakings and their implications for the cost and availability of housing credit, especially for first-time buyers and low and moderate income families. Ray Natter, former Deputy Chief Counsel of the Office of the Comptroller of the Currency, will offer a primer on Basel III’s mortgage-related provisions and their housing finance implications, setting the table for our panel discussion.

10:30 am **Panel Discussion: From Rulemakings to Originations, Views and Recommendations to Ensure a Stable Outcome for Mortgage Lending**

The panel discussion will address the mounting questions the market faces. What will tougher capital standards mean for prospective homebuyers, as well as residential and commercial lenders? If banks are discouraged from holding these assets, who will? What does this mean for efforts to revive securitization market and bring private capital back into housing? With Basel III as the backdrop, what are the stakes for the QM and QRM rules? How does all of this help or harm first time homebuyers and low- and moderate- income families? How will more rigid underwriting and capital requirements impact the ability of commercial property owners to refinance their mortgages? These and other questions will be discussed.

- Lew Ranieri, Ranieri & Partners (*panel moderator*)
- Michael Calhoun, Center for Responsible Lending
- Brian Gardner, Keefe, Bruyette & Woods
- Gene Ludwig, Promontory Financial Group
- Jim Millstein, Millstein & Co. LLC
- Susan Wachter, University of Pennsylvania

12:20 pm **Observations**
David Stevens, Mortgage Bankers Association

12:30 pm **Luncheon Speakers**
– 1:30 pm **Sen. Johnny Isakson (R-GA)**

Our symposium concludes with remarks from one of the authors of the QRM provision included in the Dodd-Frank Act. Sen. Isakson, this affordable housing champion, who led the fight in the Senate to ensure homebuyers have access to affordable mortgages, will comment on this “perfect storm” of regulatory uncertainty and his vision of how to turn the market around and ensure qualified homebuyers have access to affordable lending.

ABOUT THE SPEAKERS

Michael Calhoun is President of the Center for Responsible Lending where he provides overall direction for the organization and directs the federal policy team. Calhoun, formerly the Center for Responsible Lending's general counsel, has been the center's lead lobbyist in Washington and state capitals for years. He is a seasoned civil rights and consumer protection litigator and was the principal drafter of the North Carolina acts regulating predatory mortgage loans, mortgage brokers and lenders. He has authored numerous papers and testified before Congress and numerous state legislatures. Prior to CRL, Calhoun managed Self-Help's secondary market program and real estate development team.

Brian Gardner is Senior Vice President of Washington Research at Keefe, Bruyette & Woods. Gardner's work focuses on forecasting political, legislative and regulatory events and providing strategic advice regarding the impact of the political world on the financial markets and KBW's research universe. Prior to KBW, Brian served as Legislative Assistant to former U.S. Representative Rick Lazio (NY) and Staff Director for U.S. Representative Richard Baker (LA). During his time in Washington, he worked on many issues including Glass-Steagall reform, interstate banking regulations and issues involving the government sponsored enterprises (Fannie Mae, Freddie Mac and the Federal Home Loan Banks). Gardner also served as Associate in the Bank Regulatory Group at the New York law firm of Schulte Roth & Zabel.

Eugene Ludwig is the Founder and Chief Executive Officer of Promontory Financial Group. Before founding Promontory, Ludwig was Vice Chairman and Senior Control Officer of Bankers Trust New York Corp. where he was instrumental in steering the firm through its landmark merger with Deutsche Bank. As U.S. Comptroller of the Currency from 1993 to 1998, Ludwig served as the Clinton Administration's point person on the policy response to the credit crunch of the early 1990s. He fashioned an 11-point plan that was instrumental in ending the credit crunch and helping banks begin to lend again and fulfill their role of supporting the economy. While he was Comptroller, Ludwig served as Chairman of the Federal Financial Institutions Examination Council (FFIEC), a member of the Basel Committee on International Bank Supervision, a Director of the Federal Deposit Insurance Corporation (FDIC), and Chairman of the Neighborhood Reinvestment Corporation.

Jim Millstein is Chairman and Chief Executive Officer of Millstein & Co. Until March 2011, Millstein was the Chief Restructuring Officer at the U.S. Department of the Treasury. In that role, he was responsible for oversight and management of the Department's largest investments in the financial sector. He was the architect of American International Group's (AIG) successful restructuring. Prior to serving at the Treasury Department, Millstein spent more than two decades in the private sector, where he "worked on some of the biggest bankruptcies in history," per the *New York Times*. From July 2000 to April 2009, Millstein served as Managing Director and Global Co-Head of Corporate Restructuring at Lazard.

Raymond Natter is a Partner in the Washington, D.C. law firm of Barnett Sivon & Natter, P.C. He specializes in representing financial institutions before the U.S. Congress and federal regulatory agencies. Natter served as deputy chief counsel of the Office of the Comptroller of the Currency, where his responsibilities included the development and review of all of that agency's regulatory undertakings from 1995 through 2004. At the OCC, Natter also was responsible for the legal department's securities and corporate practices division, bank structure division and legislative affairs office. Prior to the OCC, Natter served as a senior staffer for eight years on the U.S. Senate Committee on Banking, Housing and Urban Affairs, and was the Committee's Republican chief counsel from 1989 through 1995.

Lewis S. Ranieri serves as Chairman and President of Ranieri & Co., Inc., an advisor and manager of private investments, and he is founder and Chairman of Ranieri Partners Management LLC, and its investment management companies focused on financial service opportunities. He previously was the prime originator and founder of Hyperion Partners. Prior to forming Hyperion in 1988, Ranieri had been Vice Chairman of Salomon Brothers, Inc. He is generally considered to be the "father" of the securitized mortgage market. Ranieri helped develop the capital markets as a source of funds for housing and commercial real estate, established Salomon's leadership position in the mortgage-backed securities area, and also led the effort to obtain federal legislation to support and build the market.

Susan Wachter is Professor of Real Estate and Finance and the Richard B. Worley Professor of Financial Management at The Wharton School. Dr. Wachter is the Co-director of the Penn Institute for Urban Research. A former Chairperson of the Wharton Real Estate Department, Dr. Wachter has served as President of the American Real Estate and Urban Economics Association and co-editor of *Real Estate Economics*, the leading academic real estate journal. Wachter served as Assistant Secretary for Policy Development and Research at the U.S. Department of Housing and Urban Development (HUD), from 1998 to 2001. Dr. Wachter is the author of over 150 publications and is a frequent commentator on national media on real estate and urban trends.