



Mortgage Bankers Association

Washington, DC Update

June 21 , 2023

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Vice President

State Government Affairs and Industry Relations

Mortgage Bankers Association

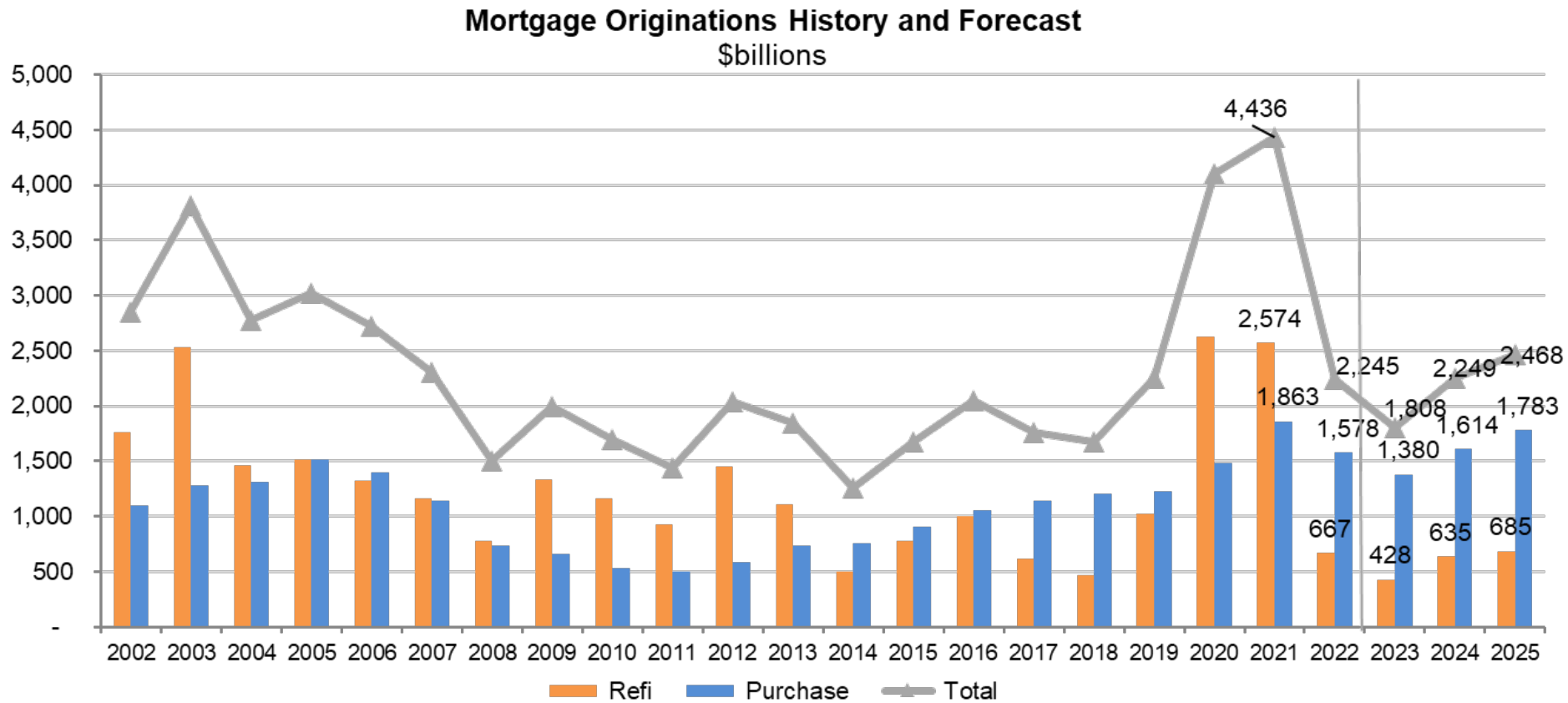
MBA

Economic and Research Snapshot

MBA Economic and Market Forecast

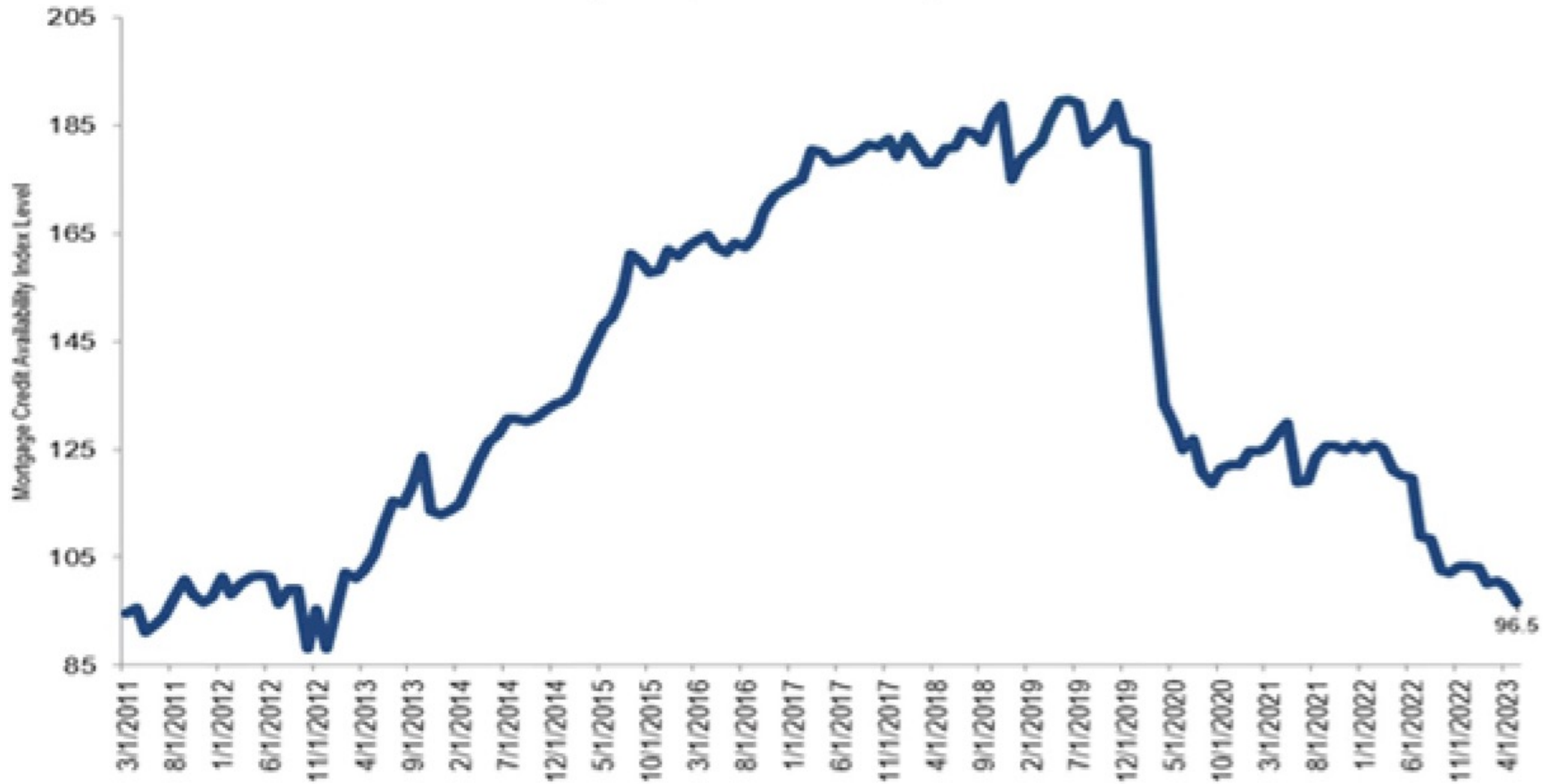
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
GDP Growth (%)	0.9	0.2	1.5	2.0
Inflation/CPI (%)	7.1	3.8	2.5	2.2
Unemployment (%)	3.6	4.0	4.8	4.2
Fed Funds (%)	4.375	5.125	3.125	2.375
10-Year Treasury	3.8	3.2	2.6	2.5
30-year Mortgage	6.6	5.6	4.8	4.5
New Home Sales (000s)	641	639	693	760
Existing Home Sales (000s)	5,099	4,274	4,738	5,249
Purchase Originations (\$B)	1,578	1,380	1,614	1,783
Refi Originations (\$B)	667	428	635	685
Total Originations (\$B)	2,245	1,808	2,249	2,468
Refinance Share (%)	30	24	28	28

Mortgage Originations to Decline 20% in 2023

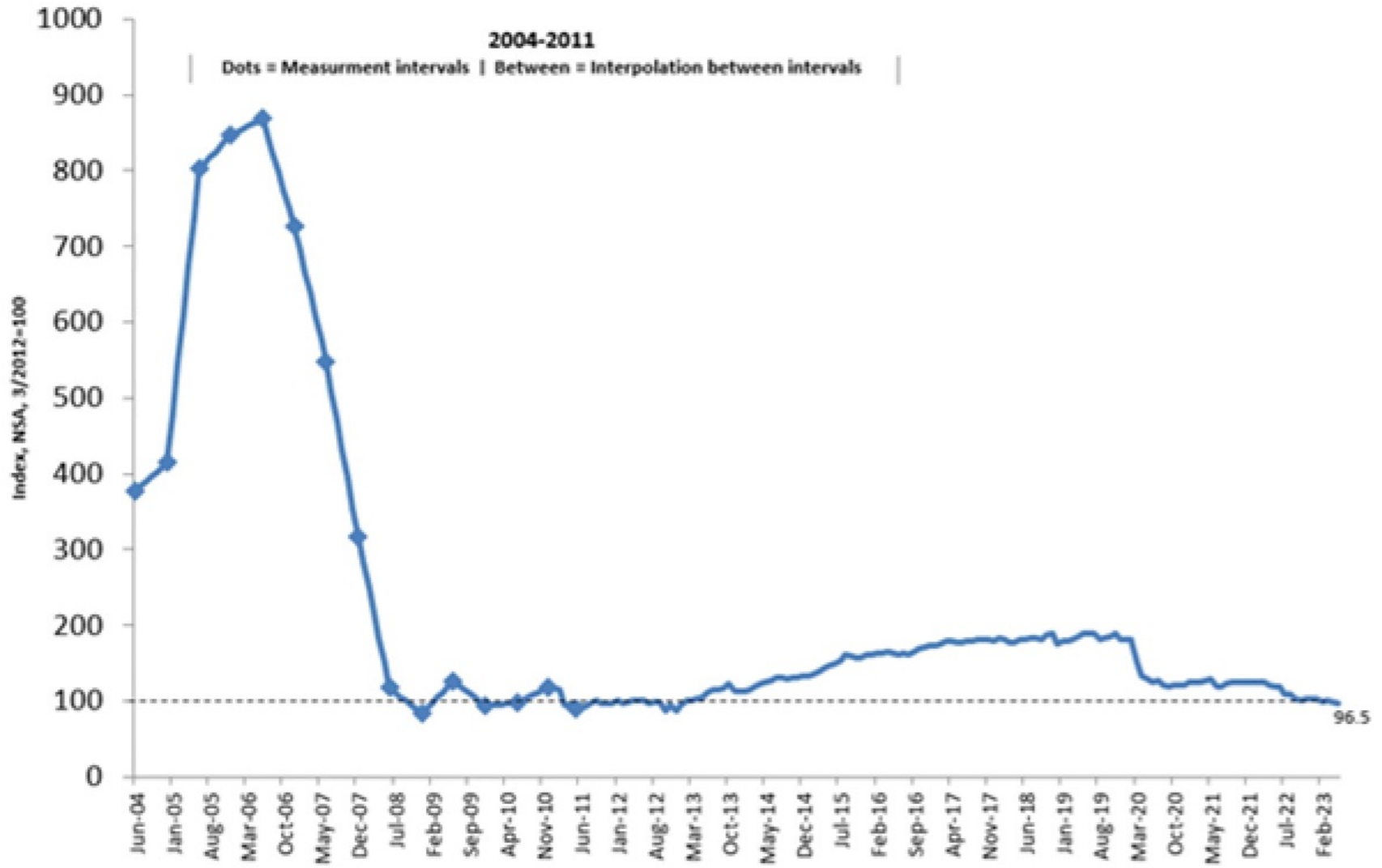


Source: MBA Forecast May 19, 2023

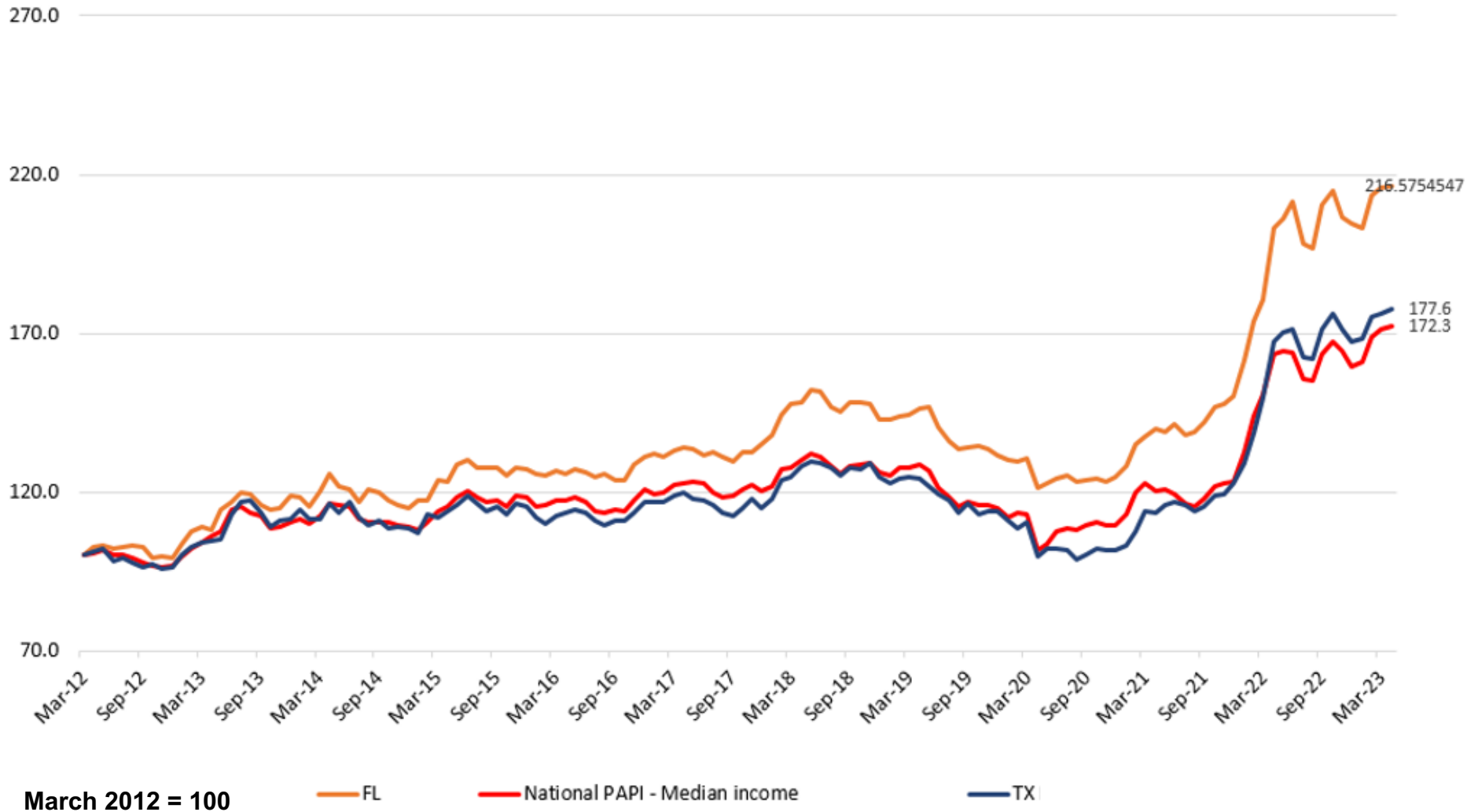
Mortgage Credit Availability Index, Index Level by Month (NSA, 3/2012=100)



Mortgage Credit Availability Index (NSA, 3/2012 = 100) Expanded Historical Series



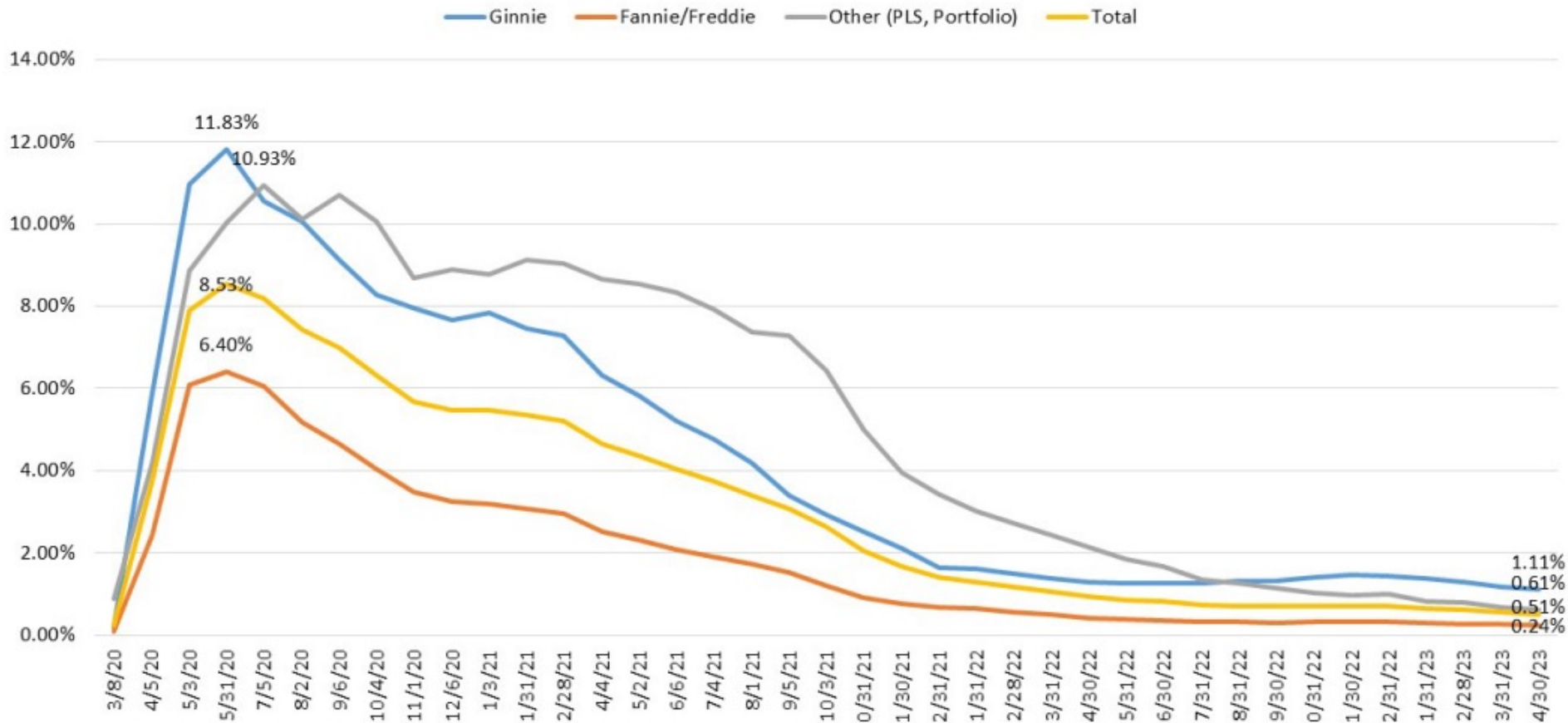
Purchase Applications Payment Index for Selected States



Sources: MBA Weekly Applications Survey and U.S. Bureau of Labor Statistics

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Servicing Portfolio Volume; Percent in Forbearance by Investor Type over Time

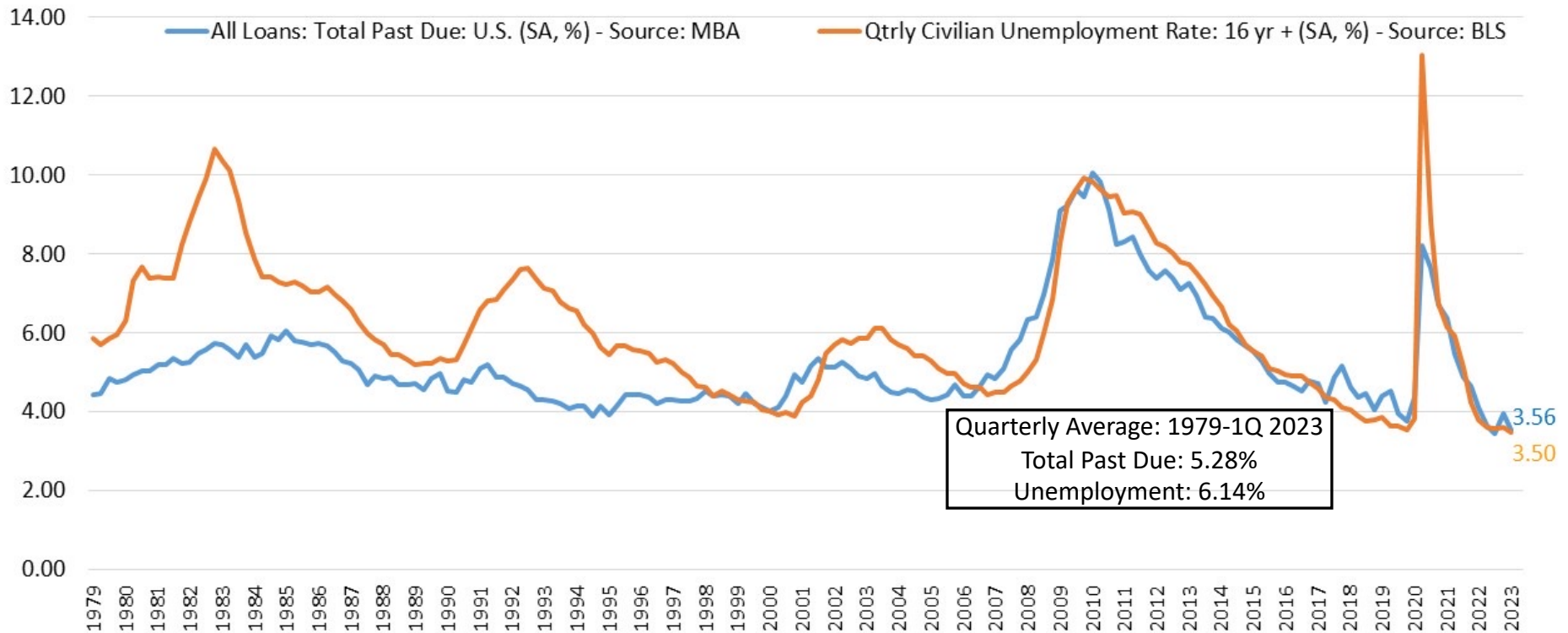


Source: MBA Monthly Loan Monitoring Survey: <https://www.mba.org/news-and-research/research-and-economics/single-family-research/monthly-loan-monitoring-survey>

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Delinquency Rate Near Record-Low in First Quarter of 2023

Mortgage Delinquency Rate and Unemployment Rate
Seasonally adjusted, percent



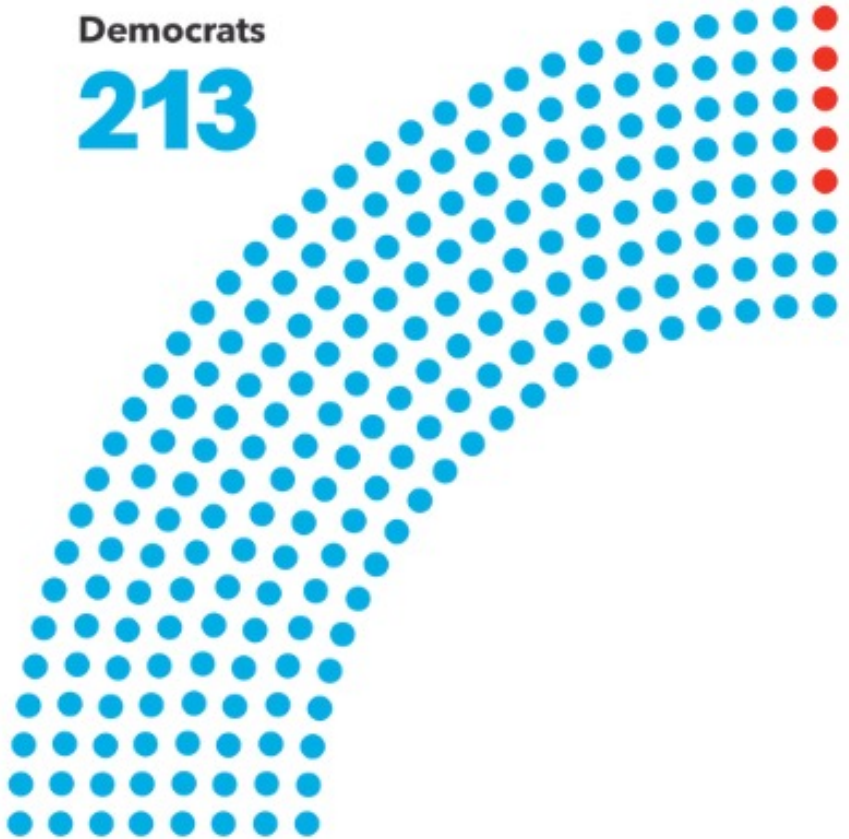
Capital Hill Political State of Play

The 118th Congress

House Balance of Power

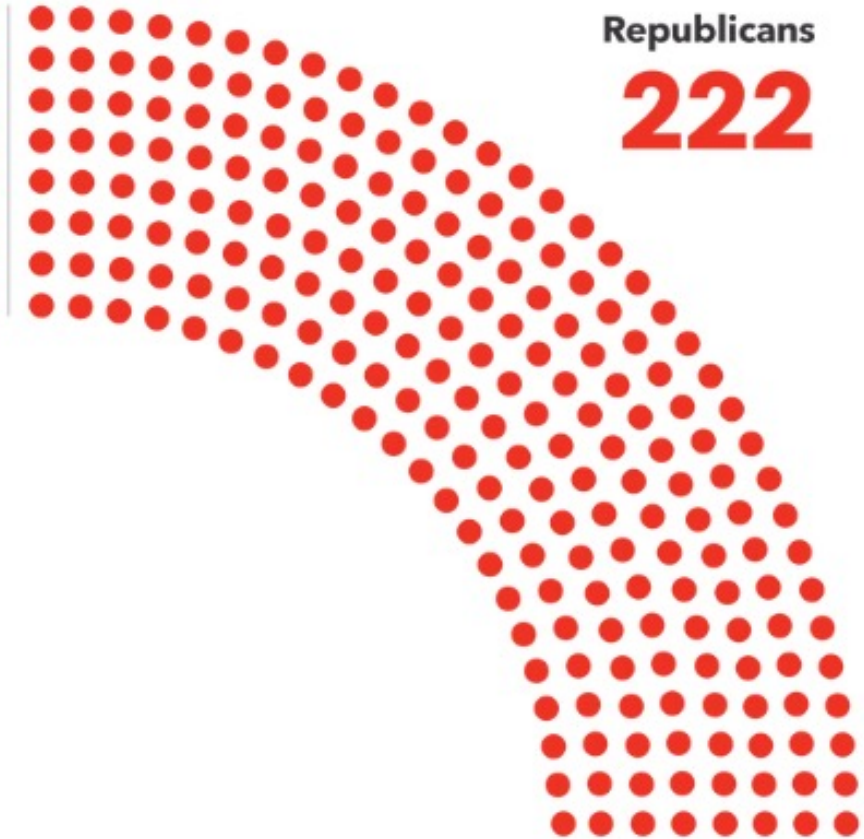
Democrats

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Republicans

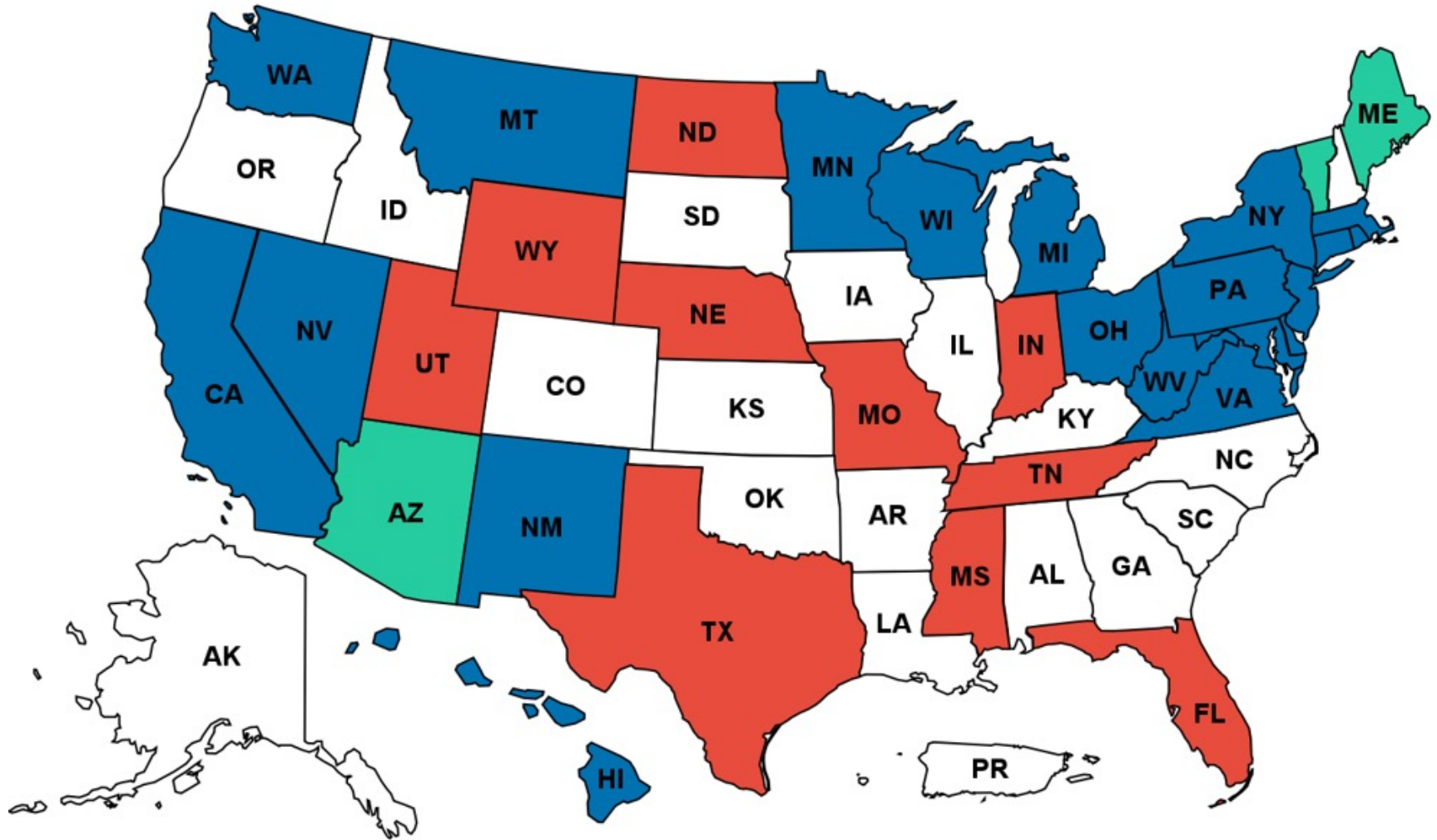
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2024 Senate Elections Map



Federal and State Policy Development Environment

Biden/Democratic Record and 2024 Campaign Themes

Big Picture Policy Bills from 117th Congress

- *Inflation Reduction Act* (aka Build Back Better): Included many Administration priorities: e.g., Health Care Reform, Clean Energy, Tax Reform
- *PACT Act*: Healthcare access/funding for Vets exposed to toxic substances
- *CHIPS and Science Act*: \$280B for domestic semiconductor production
- *Violence Against Women Act* of 2022: Reauthorized protections for victims of sexual and domestic violence
- *Safer Communities Act*: Gun safety w/focus on mental health and schools; incentives for states to pass “red flag” laws

\$1.7 Billion Federal FY 2023 Budget Enacted

- \$773B for domestic programs; \$850B for the military; \$45B Ukraine aid
- Funding for many BBB programs

Other Democratic Priorities Pursued Through Administrative Action

- Executive Orders on Student Loan Debt Relief; Cannabis Policy, Reproductive Health...

Fiscal Responsibility Act of 2023

- Increases the federal debt limit; establishes new discretionary spending limits; rescinds unobligated funds (i.e., COVID \$), and expands work requirements for federal programs

Big Picture Industry Issues on Capitol Hill and w/Administration

Nationwide Remote Online Notarization (RON) – SECURE Act

- Passed House (H.R.1059) in each of the last three years; Bipartisan Senate bill (S.1212) introduced
- Language is preemptive, but not if state law meets specific minimum standards
- In a related note: Ginnie Mae will expand the use of electronic signatures in conjunction w/RON to include power of attorney mortgage documents.

Trigger Leads Bill by Rep Rose (TN-6), *Protecting Consumers from Abusive Mortgage Leads Act*

- Would amend FCRA to prohibit the sale of trigger leads in mortgage transactions unless the acquirer of the lead certifies to the credit bureau that they have a current relationship with the consumer, or the consumer has provided the acquirer consent.
- Target ban needed to eliminate abuses while preserving appropriately narrow circumstances (current relationship or consent).

FY2023 Federal Budget; \$1.7 trillion package includes several MBA-supported provisions

- Funding for FHA technology upgrades; NFIP Reauthorization; Increased funding for Ginnie Mae admin; language to encourage small-dollar FHA mortgage lending; & increased funding for housing counseling

The Improving Access to the VA Home Loan Benefit Act (Public Law 117-308)

- Directs VA to review appraisal certification requirements, encourage hybrid appraisals, employ emerging technologies, and revisit policies on property inspection waivers, minimum property requirements, and comparable sales

Inflation Reduction Act Tax Issues; Avoiding Unintended Consequences to Real Estate Finance

- Preserved the current deferred timing of taxation on income derived from MSR's (both residential and multifamily)
- Preserved the current Section 199A small business "pass-through" tax provision that allows a 20% deduction against Qualified Business Income (QBI)
- Preserved current tax treatment for Section 1031 "Like-Kind Exchanges"

Housing Finance/GSE Reform in the 118th Congress? Probably not.

Secondary and Capital Markets Issues

Federal Housing Finance Agency

May 10: FHFA Rescinds DTI-based LLPAs

- Major advocacy victory; **Thank you MBA of Florida for your letter to FHFA!**
- Was part of the updates to GSEs' pricing grids announced in January
- MBA dispelled media misreporting that drove a Congressional backlash

May 15: RFI released on the single-family g-fee pricing framework

- Focuses on various aspects of the process for setting the GSEs' upfront g-fees and LLPAs
- Comments due August 14

October 2022: Credit Score Changes

- Requires significant revisions to operational processes and policies
- GSE replacement of the Classic FICO the FICO 10T and the VantageScore 4.0 models,
- Transition from tri-merged credit reports to permitting bi-merged reports
- The timeline – which would conclude in early 2025; Realistic?

Financial Stability Issues

Financial Stability Oversight Council (FSOC) New Interpretive Guidance on Nonbank Systemically Important Financial Institutions (SIFIs) Designation

- FSOC seeking comment on new process for the determination/designation of nonbanks as SIFIs
- Reinstates FSOC's ability to pursue an entity determination w/o first prioritizing an "activities-based approach," as adopted in 2019 Interpretive Guidance
- Proposal also eliminates the requirement for FSOC to ensure that a cost-benefit analysis of any risk-mitigation recommendation demonstrates an overall benefit prior to issuance of that recommendation
- Nonbanks focus in Guidance is on money market funds, hedge funds, and crypto exposures
- However, in previous FSOC reports, IMB servicers are a concern, and under the new guidance, nonbanks could be more readily eligible for SIFI designation
 - FSOC would not first be required to address systemic risk through providing additional regulatory recommendations to relevant supervisors of the market activity
- Under the 2019 guidance, entity designation was only pursuable if addressing the systemic risk could not be achieved through this activities-based approach.
- Comments due June 27, 2023

Legal and Regulatory Compliance Issues

Supreme Court Amicus Brief: *Community Financial Services Association v. CFPB*

- CFSFA is challenging the constitutionality of CFPB's funding structure
- MBA brief takes no position on whether CFPB is constitutionally funded; already well stated
- MBA message: avoid disrupting the housing and mortgage markets; and, if funding structure ruled unconstitutional, Court should sever those funding provisions and preserve CFPB's rules until Congress corrects the constitutional appropriations problems

Registry of Nonbank Covered Persons Subject to Certain Agency and Court Orders

- CFPB proposed rule requiring nonbank financial firms to report any final court or regulatory order into an online CFPB registry
- MBA and state regulators oppose; Almost all information available in NMLS Consumer Access

Proposed Rules on Residential Property Assessed Clean Energy (PACE) Loans

- Significant 2018 MBA legislative victory that Directed CFPB to do national consumer protection regs
- Would define PACE obligations as consumer credit, and apply TILA to PACE financing
- Would subject PACE to ATR requirements, modified TRID disclosures, and the civil liability provisions of TILA for violations
- Does not subordinate PACE liens to mortgages; [Florida pass the OH or MN laws please](#)

CFPB Review of Regulation Z's Mortgage Loan Originator (MLO) Compensation Rules

- Part of required review of CFPB's rules; *Regulatory Flexibility Act*
- Opportunity to restate previous recommendations:
 - Allow a lender to agree to decrease an MLO's compensation to compete with other lenders:
 - Allow changes or claw backs to MLO's compensation in the case of error or fraud, and,
 - Provide for variations in MLO compensation for bond loans, construction loans, Special Purpose Credit Program (SPCP) loans, Down Payment Assistance Loans, and assumptions

Loan Production Issues

MIP Reduction

- In February HUD announced a 30-bps reduction to the annual MIP for FHA insured loans
- Long term MBA advocacy priority given strong performance and capital ratio for the MMIF

Renovation Lending Program

- Response to HUD RFI on FHA 203(k) program asked to increase the cap on “Limited” 203(k) mortgages, increase accessibility to consultants, and amend the programs initial draw requirements
- Improving financing options for the rehabilitation of existing housing stock is a key recommendation for Biden Administration’s Housing Supply Action Plan

HUD Revisions to Branch Office Requirements

- Supported HUD’s proposed rule to revise requirements
- Modernized approach better aligns with ongoing technological advances and the operational realities today’s business

Draft Mortgagee Letter on Accessory Dwelling Units

- MBA supported FHA’s proposal to expand eligibility for insuring single-family homes with ADUs
- Also asked HUD clarify the calculation of effective income and recommended HUD allow detached ADUs to be financed via 203(k)

Home Equity Conversion Mortgage Program

- Comments on FHA draft ML Letter proposing modifications to the HECM Assignment Claim Type 22 Submission Criteria emphasized that improving claims and filing procedures, eliminating complexities, and expediting claims payments are important to provide market stability

Loan Servicing Issues

MBA “Future of Loss Mitigation” White Paper*

- Advocates for preservation of COVID-19 loss mitigation flexibilities tied to the now-expired COVID-19 emergency
- Advances the principles of simplicity, standardization, and sustainability
- Highlights issues that must be addressed, e.g. preservation of VA partial claim, amendments to Regulation X, and loss mitigation in a rising rate environment

FHA Introduced a 40-Year Modification to its Standard Loss Mitigation Toolkit

- Servicers now have access to extended term modifications for all borrowers

FHFA and the GSEs Recently Updated the Standard Payment Deferral

- Borrowers who have missed no more than six payments are now able to resume their regular payment and defer the missed payment until payoff

MBA Calling for Rulemaking on Reg X Loss Mitigation Procedures

- May 2023 letter to CFPB recommended:
 - amending early intervention requirements;
 - creating a clear standard describing when a borrower has submitted a “loss mitigation application,” and
 - ensuring mortgage servicers can timely assist distressed borrowers in any market condition
- Director Chopra blog post last week identifies the need to simplify and streamline CFPB’s mortgage servicing rules

*<https://www.mba.org/advocacy-and-policy/residential-policy-issues/The-Future-of-Loss-Mitigation>

Major State Policy Issues and Themes

Remote Online Notarization (RON) www.MBA.org/RON

- 44 states and DC have approved RON laws consistent with the MBA-ALTA model state law and the Uniform Law Commission's Revised Uniform Law on Notarial Acts (RULONA)
- Connecticut is 45th state but failed to include real estate finance transactions

State Licensing Flexibility – Remote Work www.MBA.org/LicensingFlexibility

- 26 states and DC have passed legislation, promulgated rules, or issued regulatory guidance consistent with MBA model state law and regulation

State CRA for Nonbanks www.MBA.org/StateCRA

- 2008 MA law; NY and IL enacted laws in 2021; CA and MD bills defeated in 2022 and 2023 respectively
- HMDA data show IMB lending to LMI borrowers in Massachusetts no better than in states w/o CRA mandate!

State Data Protection Laws www.MBA.org/StateData

- Advocacy for MBA model amendment for Gramm-Leach-Bliley entity-level exemption
- CO, CT, UT, VA, IA, IN, TN, MT, and TX laws included amendment

Foreclosure Bills

- Post-pandemic effort to “reinvent” foreclosure process; Working to exempt federally-related loans
- Industry has produced herculean results!
 - **7.8 million families have received forbearance since April 2020**
 - **4.3 million families received forbearance in just the first 6 weeks of pandemic**

MBA of Florida Engagement Opportunities



- Create an MBAF legislative/regulatory committee; Invite MBA staff to meetings
- Participate in MBAF Legislative Advocacy Day in Tallahassee; Visit your legislators in their district offices when not in session
- Contribute to your Political Action Committee, [MPAC](#)
- Invite legislators and regulators to speak at your state and local association events
- Invite your legislators to visit your companies
- Get your CMB and join [CMB Society of Florida](#)



MORTGAGE ACTION ALLIANCE

The easiest way to become an industry advocate is to join the Mortgage Action Alliance.

MAA is and will always be 3 things:

- **FREE**
- **FAST** (to join and take action)
- **EASY** (to communicate with your elected representatives)

To join MAA or renew your membership:

- Visit mba.org/maa; or
- Text MAA to the number 50457



Thank You!

Questions?

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MBA