Statement of Debra W. Still, CMB

Chair-Elect

Mortgage Bankers Association

Before the

Senate Banking Committee

Subcommittee on Transportation, Housing and Community Development

Hearing on

"Helping Homeowners Save Money Through Refinancing"

April 25, 2012

Introduction

Chairman Menendez, Ranking Member DeMint and members of the Senate Subcommittee on Housing, Transportation and Community Development, I appreciate the opportunity to offer remarks on behalf of the Mortgage Bankers Association[1] (MBA) at this hearing on “Helping Homeowners Save Money Through Refinancing.” My name is Debra Still and I am Chair-Elect of MBA. My remarks will focus on the “Responsible Homeowner Refinancing Act of 2012” currently being drafted by Chairman Menendez and Senator Boxer.

At the outset, let me state that MBA strongly supports the intent and major objectives of this legislation: to address obstacles that have prevented borrowers who have conscientiously made their mortgage payments from reaping the benefits of historically low interest rates and other assistance programs. We are particularly intrigued by the sections of the bill that would remove existing restrictions of the Home Affordable Refinance Program (HARP) based on arbitrary requirements such as who services the loan, whether the borrower’s loan-to-value ratio is above or below 80 percent, and which government sponsored enterprise owns the current loan. Such features only serve to increase borrower and lender confusion, and reduce the number of qualified borrowers who could benefit from the program. MBA looks forward to working with the authors of this draft legislation, members of this subcommittee, the administration, and other key stakeholders as a resource to help resolve whatever issues or differences may arise as a result of this dialogue.

Before addressing specific aspects of the bill, I believe it would help to provide some analytics regarding the housing market’s recovery thus far, and the policy considerations MBA used to assess the merits of the bill.

Economic Context

Notwithstanding this widespread uncertainty, we are starting to see signs of recovery and growth. Optimism is beginning to emerge with record home affordability, some signs of job formation, and a slowly recovering stock market. Recent economic indicators also point to sustained, albeit slow, growth for 2012.

I have personally witnessed other “green shoots” appearing in local markets around the country. For example, I can say with some optimism that I anticipate the first true spring buying season we have had in a few years. Even more telling is the fact that some

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[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation’s residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA’s Web site: www.mortgagebankers.org.

former homeowners who exited the market through short sales or "deed-in-lieu" transactions are now asking how they can return.

Chart 1 provides an overall perspective of homes for sale on the market today with overlays of delinquent loans and loans in foreclosure. Although the volume is still at historically high levels, we are seeing consistently lower numbers in all key statistics. In fact, MBA expects existing home sales to increase slightly in 2012 followed by more significant growth in 2013.

Chart 1

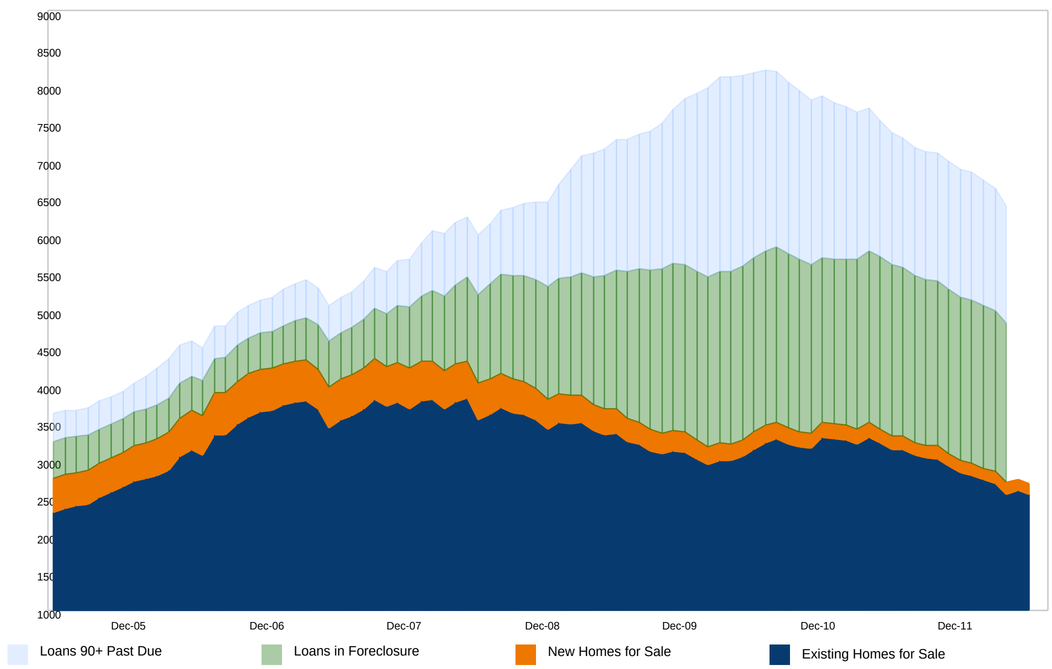


Chart 2 shows the ratio of refinancings to purchase mortgages also is reverting to normal trends. MBA expects purchase originations to be a little over the $400 billion level in 2012, similar to 2011, before increasing to $680 billion in 2013, as home prices turn upward more definitively, and home sales increase. Refinance originations were strong in 2011 as rates were at historical lows, and have remained relatively strong thus far in 2012. The expanded HARP effort is currently contributing roughly 30 percent of refinance application volume.

Chart 2

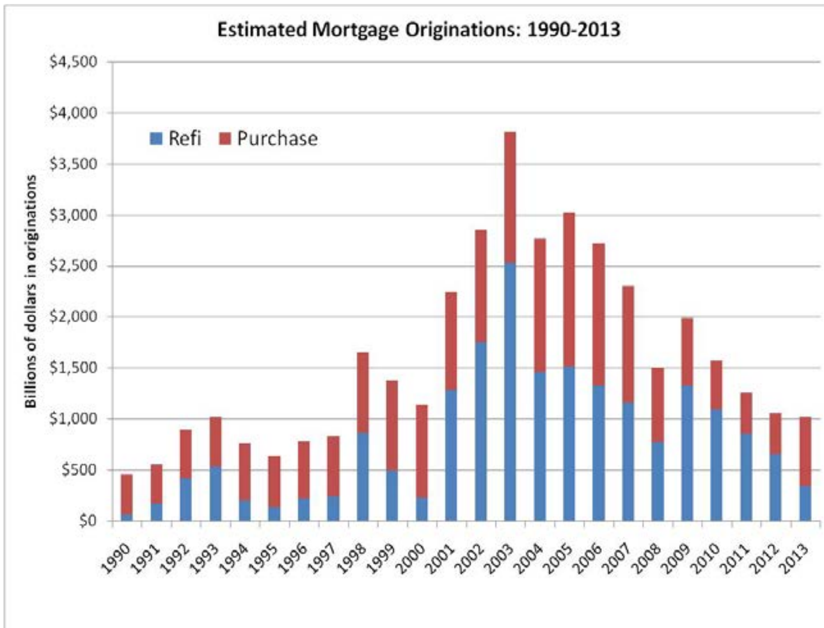
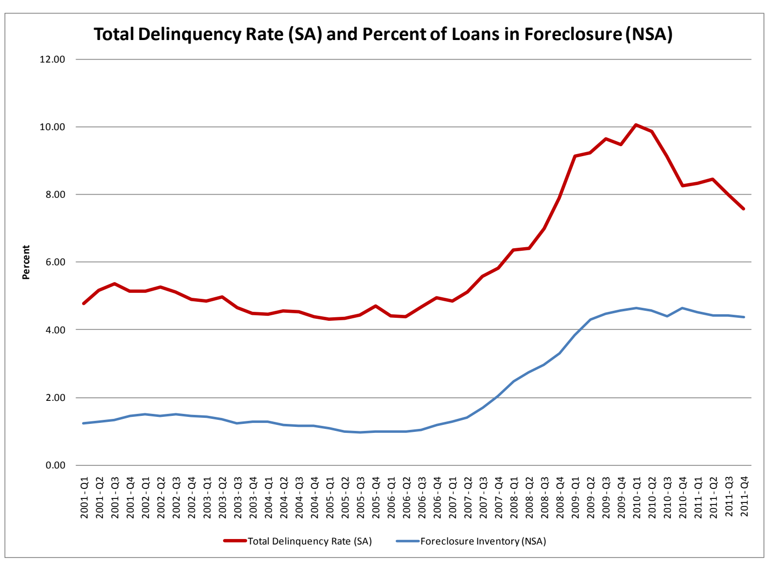


Chart 3 shows the trend in delinquency and foreclosure rates remains disturbingly high. But on a positive note, we are clearly over the hump in both measures. Closer analysis shows that we are back to where we were before the crash in 2008.

Chart 3



Reaction to Bill

Turning now to the draft legislation, MBA fully supports its goal of reducing operational inconsistencies and economic obstacles impeding the ability of on-time borrowers to refinance their mortgages. We also support the bill's provisions clarifying the post-sale obligations of lenders for loans they sell to the government sponsored enterprises (GSEs), Fannie Mae and Freddie Mac. It is likely that if many of the provisions in this bill were included in the first version of HARP, we probably would be much further along in the recovery. In reality, however, this bill effectively would represent the third iteration of HARP and is being introduced at a time when HARP 2 is just beginning to show signs of progress. Therefore we believe it would be useful to monitor HARP 2's effectiveness as you continue the deliberations regarding this draft legislation to assess the tradeoffs between the benefits the bill provides to borrowers and the operational costs to the GSEs, lenders, and taxpayers. Following additional comments about specific provisions of the bill, MBA suggests additional initiatives for consideration.

<u>Borrower Eligibility</u>

MBA is particularly appreciative of the draft legislation's provisions that reduce the complexity of HARP's eligibility and compliance. For example, the ability of borrowers to lower their mortgage payments by refinancing their loan through HARP should not hinge on who services their loan. Additionally, the existing distinction regarding whether a borrower's LTV is above or below 80 percent is subject to manipulation by mischaracterizing the value of a borrower's collateral.

The bill also would prohibit the GSEs from establishing pricing differences based on loan to value (LTV) ratios, income or employment status. The rationale for this provision is that reducing the re-underwriting requirements for loans already held by the GSEs is appropriate because the GSEs already hold the risk. Moreover, reducing a borrower's payments reduces the risk that a borrower will not repay the loan. As a general rule, MBA believes strong underwriting requirements including full documentation and verification are critical to safe and sound lending practices.

However, MBA supports the concept of streamlining underwriting requirements where the borrower is current and the loan being refinanced is currently owned by Fannie Mae or Freddie Mac.

MBA also requests consideration of whether the provisions to streamline HARP's eligibility requirements for conscientious borrowers make it easier for unscrupulous borrowers to abuse the program. For example, one of the primary tools lenders use to detect and prevent fraud is to verify the employment, assets and liabilities of borrowers.

Additionally, MBA believes a refinancing is not always in the best interest of a borrower, and that a modification is sometimes a better alternative. For example, a loan modification is likely the better option for the borrower in situations where the borrower is no longer employed. Allowing origination of loans without any verification of a borrower's income source effectively allows unemployed borrowers to refinance their loans when other alternatives may be a better option.

Another concern is that the bill's reduced underwriting requirements could be interpreted to interfere with a lender's ability to comply with the requirements in the Dodd-Frank Act to verify whether the borrower has a "reasonable ability to repay the loan." Although regulations are currently in the proposed stage, final regulations are likely to be issued before the end of the year. Streamlined refinances by the GSEs are not exempt from the statutory requirement and reliance solely on pay history (as is currently permitted for manual refinances) fails to meet the statutory standard for determining a reasonable ability to repay under the Dodd-Frank Act. Furthermore, eliminating any employment verification raises the concern that an assessment has not been conducted of the borrower's ability to repay the loan.

MBA suggests the limitations on the types of loans eligible for refinancing under HARP also restricts otherwise qualified borrowers from lowering their monthly payments by refinancing into a lower interest rate loan. For example, high balance loans owned by the GSEs are ineligible to be refinanced under HARP if they are above the existing conforming loan limit. MBA believes that if a borrower meets HARP's eligibility requirements, and the GSE owns the existing mortgage, the mortgage should be able to be refinanced.

For these reasons, MBA believes this section of the bill would benefit from further refinement to ease implementation.

<u>Repurchases</u>
MBA is pleased that the bill attempts to reduce the existing disparity between a lender's representation and warranty (rep and warrant) obligations to Fannie Mae and Freddie Mac. MBA believes this would encourage competition by allowing different servicers to refinance a borrower on the same terms on which the current servicer is able. This would create many more refinances of the targeted HARP-eligible population, and those refinances would be at a considerably better rate to the borrower. In our remarks below, we offer additional considerations regarding rep and warrant obligations because MBA believes this issue transcends the HARP context.

<u>Collateral Valuation</u>
The bill also would require collateral valuations to be estimated through the GSEs' automated valuation models (AVMs). In locations where AVM modeling data is nonexistent, such as rural areas, an actual appraisal can be used, at no cost to the borrower.

MBA believes this is a prudent attempt to use technological efficiencies to reduce the upfront refinancing costs for eligible borrowers. It should be noted, however, that appraisals are an invaluable tool for protecting against fraud. Therefore, to the extent that the bill conflicts with lenders' fraud prevention measures, we request a commensurate adjustment in a lender's repurchase obligation. We believe this will enable lenders to be able to maximize the cost savings to borrowers.

Re-Subordinating Second Liens

The bill provides that if a servicer or creditor refuses to re-subordinate certain second liens when the first lien is refinanced under HARP, such servicer or creditor will be ineligible to deliver or sell any future loans to Fannie Mae or Freddie Mac. It is unclear whether such a bar would expire with HARP or continue in perpetuity.

Most junior lien holders today will subordinate their liens provided the borrower finances only closing costs, such closing costs are not excessive, the borrower derives a benefit from the refinance, and the borrower does not receive cash out (other than to settle small calculation discrepancies). This policy is also followed in most cases even if the borrower's combined LTV is above 100 percent.

For these reasons, MBA believes this provision imposes harsh penalties for a situation that seems to be resolving itself. When a borrower's LTV exceeds 100 percent, second lien holders are rightly concerned with an increase in the first lien debt because it imposes additional risk of loss, by the amount financed, if the loan fails. We are concerned that the harsh penalty will actually impair the recovery of the real estate market by making junior liens extremely costly and unattractive to originate and service.

We also question whether the penalties imposed by the bill are worse than the problem it seeks to address. In theory, a single mistake could render a significant market player or number of players unable to do business with Fannie Mae and Freddie Mac. This does not appear to be a positive result for borrowers or the GSEs as it could affect competition, price, and the GSEs' future revenue opportunities.

In addition, it appears that the servicer would be held responsible if the owner of the junior loan does not permit a subordination. In many instances servicers are mere loan administrators and thus cannot impose a requirement of this nature on the lien holder. Servicers, therefore, should not be penalized for decisions outside of their control.

While most second liens are held in portfolio as whole loans, there are instances in which such loans are securitized. If trust documents prohibit the servicer from impacting the security interest of the notes, it would not be appropriate to penalize the servicer for complying. The law would, in this instance, put servicers in an unfortunate position; either they face litigation or get barred from delivering loans to the GSEs.

There are also valid situations where the servicer should not be required to subordinate. One example is where the borrower sold the property without the lien holder's consent thus violating the due on sale clause in the mortgage contract. Another example is where a first lien holder provided a cash-out refinance without getting a subordination agreement from the second lien holder. Had the request been made, the second lien holder would not have approved the subordination due to the cash-out feature. The second lien holder should not be required to re-subordinate simply because the borrower now seeks to refinance again under HARP when the subordination wouldn't have been granted in the first instance. The examples given are not an exhaustive list. Moreover, servicers cannot predict situations that might arise in the future that support denying a subordination request.

For the reasons described above, we believe the re-subordination requirement provisions are a well-intentioned attempt to streamline the refinancing process for borrowers, but the operational and practical consequences could negate the benefits they were intended to provide. MBA would have strong concerns regarding these provisions if this bill were to move forward.

<u>Mortgage Insurance</u>
A similar provision imposes a bar on mortgage insurers who refuse to transfer coverage to the new HARP refinanced mortgage. Such insurers would be ineligible to insure new mortgages purchased or guaranteed by the enterprises. We are concerned that this penalty may create an unintended outcome. Lenders must obtain mortgage insurance (MI) on higher-LTV loans in order to deliver such loans to the GSEs. If one or more insurers were barred from doing business with the GSEs, it could severely strain the availability and cost of MI. Likewise, it would increase the GSEs' counterparty risk.

It also is not clear whether the GSEs have the technological capacity to monitor and track whether a MI refused to transfer coverage and then to automatically terminate new deliveries of loans insured by such an MI. If the operational framework is not in place already, developing it could be costly and time-consuming.

It also is unclear whether the bill would apply to situations where lenders or investors place MI on the loan after it was originated to make it eligible for an enterprise to purchase (back-end MI) and in cases for certain lenders where the lender has purchased mortgage insurance (traditionally called LPMI). In these circumstances, special processes need to be put in place by the GSEs, the MI companies and lenders to ensure that coverage remains in place. These operational challenges could be time-consuming and costly, which could ultimately offset any potential consumer benefit.

MBA therefore requests this provision be reevaluated in light of these considerations.

Credit Risk Guarantee Fees
The bill would be funded by a ten basis point increase in the credit risk guarantee fees (g-fees) charged by Fannie Mae and Freddie Mac, but only for those loans refinanced under the provisions of the bill. MBA strongly believes that g-fees should be calculated as a function of the costs of guaranteeing the securities they issue, i.e., the risk of underlying loans.

In this situation, MBA would prefer that the GSEs themselves be authorized to adjust their g-fees in accordance with their increased risk profile and with the strict oversight of their regulator. Given federal budgetary scoring constraints, however, we recognize that g-fees must be deposited into an account at the Department of the Treasury.

Because g-fees directly impact consumer borrowing costs, we ask that Congress establish sufficient statutory firewalls so that these funds can only be used to offset credit risk exposure by the GSEs.

Additional Recommendations
The timing of this hearing is fortuitous because MBA members were in Washington, DC just last week as part of our association's annual advocacy conference. MBA met with leadership in the House, Senate, several regulatory agencies, and President Obama's housing policy team. The threshold question that we were asked in virtually every meeting was what could be done to restore access to credit for all eligible borrowers in a safe and sound manner.

MBA's response to this question is that a long-term recovery hinges on restoring certainty and providing clear standards regarding the rights and responsibilities of all market participants. Heightened levels of uncertainty are pervasive throughout the housing market. Borrowers are unsure of their job stability, are afraid of buying when home prices may still be falling or are concerned about how they will be treated by their lender or loan servicer.

Lenders face uncertainty not just because of the cascading effect of new rules and regulations but also because existing, longstanding agreements between counterparties are being reinterpreted and applied retroactively. And private investors that could provide much needed capital also are skittish; they don't know which way the market is headed or what new policy may come next that will impact their position. This overall uncertainty results in reduced access to affordable housing finance options for qualified borrowers. MBA supports provisions in the draft legislation that would address this widespread uncertainty.

MBA also recognizes there are other challenges that need to be resolved before a sense of vibrancy returns to the housing market. Therefore, we offer the following additional recommendations to help restore access to credit for qualified borrowers.

Foreclosure Inventory
While the draft legislation would do much to stem the tide of new delinquencies and foreclosures, it is not directly focused on the overhang of distressed properties. Addressing that overhang would spur further economic recovery and stabilize neighborhoods and long-term home prices. A reduction in the current "real estate owned" (REO) inventory will provide for the swiftest and most efficient return to market stability. As the country moves to correct the supply and demand imbalance, it is critical that policymakers balance taxpayer interests, investor interests, and consumer protections to ensure responsible asset disposition.

Local investors understand their particular markets and have a long-term stake in the stabilization of their neighborhoods. Providing affordable, responsible financing options to investors not only eliminates REO properties, but also empowers neighborhoods by giving local residents an increased stake in its success. These tools would be especially beneficial in urban neighborhoods that face the challenges of older housing stock and neighborhood blight.

MBA believes the Federal Housing Administration (FHA) should introduce an investor program –- specifically one that includes a renovation option. One solution would be to temporarily lift the moratorium on investors participating in FHA's Section 203(k) Rehabilitation Loan Program. The Section 203(k) program helps buyers of properties in need of repairs reduce financing costs, thereby encouraging rehabilitation of existing housing. With a Section 203(k) loan, the buyer obtains one FHA-insured, market-rate mortgage to finance both the purchase and rehabilitation of a home. Loan amounts are based on the lesser of the sum of the purchase price and the estimated cost of the improvements or 110 percent of the projected appraised value of the property, up to the standard FHA loan limit.

HUD began promoting Section 203(k) to homeowners, private investors and non-profit organizations in 1993. Private investors were often able to find undervalued properties, renovate them and sell them for more than the purchase price plus the cost of improvements, or provide much needed rental housing. Motivated by this profit potential, many investors successfully renovated and sold properties ranging from individual homes to entire blocks, thereby expanding homeownership opportunities, revitalizing neighborhoods, creating jobs, and spurring additional investment in once blighted areas.

In 1996, however, following a report by HUD's Inspector General describing improprieties concentrated in New York and insufficient departmental oversight, HUD placed a moratorium on all Section 203(k) loans to private investors. The Inspector General noted rampant fraudulent activity that resulted in financial gain for the participants and un-rehabilitated houses in the neighborhoods.

MBA agrees that safeguards in any program are necessary to prevent abuse and to ensure that the program meets its intended purpose. MBA recommends that FHA lift the moratorium on investors participating in the 203(k) and reinstate it as a pilot to facilitate the purchasing and rehabilitating of REO properties by local investors. In recognition of the historical abuses of the program, MBA also recommends that the program be modified to ensure responsible lending and minimize fraudulent activity. MBA's members welcome the opportunity to work with FHA to develop a program that meets these criteria.

<u>Ability to Repay Regulations</u>
MBA also believes proper implementation of the Dodd-Frank Act's ability to repay (ATR) and Qualified Mortgage (QM) requirements, now pending before the Bureau of Consumer Financial Protection (CFPB), is crucial to homeowners and those seeking homeownership. Under the proposal, there are three major issues: (1) whether the QM is structured broadly; (2) whether the QM is structured with clear bright line standards as a safe harbor; and (3) whether the three percent limit on points and fees is overly inclusive and has the effect of limiting the availability of credit, particularly for loans under $150,000.

Failure to comply with the ATR requirements risks very significant liability including actual damages, up to three years of finance charges, attorney fees, as well as a claim for offset at foreclosure for the life of the mortgage. In light of these liability considerations, it is anticipated that virtually all mortgages made will be QMs; those that are not, if available at all, will be costlier and are not required to offer borrowers QM protections. For these reasons, it is crucial that the QM standards be established broadly so they offer affordable credit and protect as many borrowers as possible.

The proposed rule offers alternative approaches to the construction of a QM, only one of which will be adopted in a final rule -- a safe harbor or a rebuttable presumption of compliance. Specific standards are contained in both, and under both borrowers may seek court review of whether the lender complied.

The principal difference between the two approaches is that under a safe harbor litigation is more predictable and addresses only whether the standards set forth in the safe harbor have been met. Structuring the QM as a safe harbor is the best means of ensuring that the largest number of borrowers possible will enjoy the safest and most affordable options for sustainable mortgage credit. A presumption of compliance does not generally provide the same degree of predictability. Consequently, if provided for in a final rule, a rebuttable presumption structure will result in more conservative lending standards, and less available and affordable credit.

The proposal also would apply the statutory requirement of a three percent limit on points and fees for the QM so that it would appear to include: (1) third party fees such as title services when the service provider is an affiliate of the lender; (2) loan originator compensation; and (3) escrows for taxes and insurance. The limit is only adjusted up to five percent for loans under $75,000.

All third-party fees should be excluded from the three percent limit. Any other outcome undermines competition and borrower choice. The inclusion of payments *from* lenders (i.e., loan officer compensation) has no place in a formula governing payments *to* lenders. Likewise, escrows not retained by the lender have no place in a calculation of points and fees. Additionally, consumers should continue to have the option of using a lender with affiliated settlement services providers. Finally, since the average loan size is closer to $150,000, upward adjustment of the three percent limit for smaller loans should commence for loans below that amount. Considering the effects of the proposal on smaller loans, both revision of the small loan requirements and revision of the formula's ingredients are essential to ensure the availability of credit to low-and moderate-income families with smaller loans.

How the QM is defined and structured is crucial to determining who will benefit from affordable, sustainable mortgage financing. Loans that fail the QM test will be costlier, if they are available at all. MBA urges the members of this subcommittee to encourage the CFPB to adopt a broad QM and a safe harbor for QM loans. MBA also encourages members of this subcommittee to consider the introduction of Senate legislation similar to that proposed in the House by Reps. Bill Huizenga (R-MI) and David Scott (D-GA) that would make important technical changes to the QM points and fees definition. The Consumer Mortgage Choice Act (H.R. 4323) would exclude affiliate fees, loan originator compensation and escrows.

GSE Repurchase Requirements

As mentioned above, MBA believes much more needs to be done to clarify the rights and responsibilities of lenders with respect to repurchase requirements. Leadership at the Department of Housing and Urban Development (HUD), Federal Housing Finance Agency (FHFA), and the Board of Governors of the Federal Reserve System all recognize that a key driver of this tight credit environment is the unprecedented number of loan repurchase demands by the GSEs to lenders, based on representations and warranties made by lenders when they sell loans to the GSEs.

We recognize the importance of these reps and warrants in holding mortgage originators accountable for the loans they sell into the secondary market. These contractual provisions are critical to the securitization process, and a successful and liquid secondary market. Reps and warrants appropriately allocate risk and align the incentives of all parties in the direction of sustainable, responsible mortgage lending. Unfortunately, lenders are now facing an unprecedented volume of repurchase demands from investors looking to recoup losses. A portion of these are legitimate requests and are being honored, as they should be. However, lenders are finding more and more loans being sent back for repurchase for minor, technical mistakes that had no impact on loan performance.

Take, for example, a loan where the borrower had been paying his or her mortgage on time for several years, lost a job, couldn't pay the mortgage and went into default. Investors will sometimes scrutinize loan documents to find a minor, immaterial infraction, like a forgotten signature, and force the loan back to the originator for repurchase. This is not why the process was put into place.

Lenders do have means to contest and defend repurchase requests, but they are time-consuming and expensive. Instead of underwriting and funding new loans for qualified borrowers, lenders have to go back through old loan files and prepare a defense against the repurchase claims. Even when the lenders prevail, they are forced to dedicate scarce capital and staff time to adjudicate these cases. This is disproportionally hurting smaller, independent community lenders who simply don't have the resources to research, respond to and contest the flood of repurchase demands they are facing.

Consumers are paying the ultimate price because buyback requests for such minor mistakes only serve to make lenders even more cautious when making new loans. The knowledge that every loan that defaults, no matter how well it is documented and underwritten, could result in a costly repurchase request, is forcing lenders to qualify only borrowers with the most pristine credit histories, highest incomes and significant cash reserves. Again, the impact is magnified for smaller lenders with more limited resources to handle repurchase requests.

Lenders, regulators, the GSEs and other investors need to coalesce in order to develop guidelines for the type of loan defects that are and are not eligible to be put back on lenders. Loans that have been performing for several years, and default with no signs of lender fraud or underwriting deficiencies, should not be pushed back on the lender. If a loan defaults and a flaw in the loan documents is found, the investor should be required to demonstrate that the defect was material to the default. Such flaws also should be based on objective criteria, not a subjective opinion rendered after the fact.

MBA notes that correspondent lenders add their own credit overlays to loans they purchase from other lenders in order to limit their repurchase risk exposure. These “downstream lenders” tend to be local, community or independent mortgage banks that do not have the volume or corporate structure to deal directly with the GSEs. MBA believes consumer access to credit would be greatly enhanced if GSE repurchase requests also were addressed in the correspondent lending channel.

MBA also notes an unfortunate conflict arising between HARP provisions and state law. Some state laws impose specific underwriting requirements on high-LTV loans, such as requiring a physical appraisal and determining a borrower’s ability to repay based on consideration of specific statutory information. One of the GSEs’ HARP rep and warrant provisions is that lenders must stipulate the HARP loan complies with all laws. Therefore, a lender would be required to repurchase a loan that violated a state law high-LTV loan requirement even if they were otherwise compliant with this bill, or existing HARP 2 provisions. We strongly urge you to resolve this matter.

<u>Future of the GSEs</u>
MBA is firmly aligned with the subcommittee’s desire to attract private capital to fund loans for a broad spectrum of qualified borrowers, not just to help in the economic recovery, but for the long-term. The current mortgage market relies far too heavily on government support, edging out private investment. This is neither desirable nor sustainable. MBA believes the long-term stability of the real estate market requires a vibrant secondary mortgage market that relies, first and foremost, on private capital. However, the status quo of overwhelming involvement by FHA, Fannie Mae and Freddie Mac has helped to create insufficient private liquidity. It is time for the future of the GSEs and the role of the federal government in housing finance to be addressed in a comprehensive manner. MBA believes there is a need for a clear definition of the government’s role in the mortgage market – an explicit, limited guarantee of the securities, but not the entities – paid for by actuarially-sound, risk based fees, with the entities tightly regulated as to their activities, risk-based capital and the types of mortgages they can guarantee.

Conclusion
In conclusion, let me reiterate that MBA strongly supports the intent and objectives of this proposed legislation. We believe the Responsible Homeowner Refinancing Act of 2012 is a commendable effort to reduce the costs and other barriers on-time borrowers face in benefiting from today’s historically low interest rates. We further believe the bill’s rep and warrant provisions are a welcome attempt to solidify the allocation of responsibilities between the GSEs and their lender business partners. Given the balance of multiple considerations this bill poses, we urge this subcommittee and the Congress to continue to work with all engaged stakeholders as this dialogue moves

forward. In particular, we urge the subcommittee to revisit the provisions regarding subordinate liens and mortgage insurance.

All stakeholders in our housing finance system have an interest in seeing the market rebound, and only together can we establish a housing finance system that provides affordable housing finance options to as many qualified borrowers as possible in a safe and sound manner. MBA stands ready to serve as a resource to help you evaluate the economic and policy tradeoffs to these various approaches.