

## **Government Affairs Update**

Fred Kreger, CMC - CAMP Vice-President of Government Affairs

Randy Ross - Federal Lobbyist – BGR Government Affairs



Congressman Gary Miller



**Don't be Fed Up!**



**Be Fred Up!**



*“In times of chaos, the evolutionary process of survival of the fittest doesn't work. Those that survive aren't necessarily the biggest or the bravest. In times like this the survivors are those that are smart, nimble, resourceful and yes, lucky to avoid the pitfalls of uncertainty”*

*-Author unknown*

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# 112<sup>th</sup> Congress

## Opportunities to Make a Difference

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### **New Policy Environment = New Congressional Agenda**

#### **Dodd-Frank Act <http://financialservices.house.gov>**

- Corrections bill
- Oversight of Implementation
  - Appraisal Independence
  - Qualified Residential Mortgage/Risk Retention
  - RESPA/TILA Form Merger
  - Creation of CFPB
  - Loan Officer Compensation

**Housing Finance Reform – 15 new bills have been introduced by the HFSC**

**Oversight and Review of Foreclosure Mitigation Programs**

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# 111<sup>th</sup> Congressional Creation



# 111<sup>th</sup> Congressional Creation

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# **Fed Rule on Loan Originator Compensation**

Seek Corrections through Dodd-Frank

OVERSIGHT PLAN OF THE COMMITTEE ON FINANCIAL  
SERVICES FOR THE 112 CONGRESS

## **Mortgage Broker Compensation**

*"The Committee will examine the implementation of proposed rules issued by the Federal Reserve governing mortgage origination compensation, which are scheduled to become effective April 1, 2011. The Committee is concerned that the rules may have an adverse impact on the ability of small businesses that originate mortgages to remain in business. The Committee will also review the interaction of existing real estate settlement rules with rules mandated by the Dodd-Frank Act."*

# Loan Originator Compensation Technical Corrections for Dodd-Frank Act

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**Allow mortgage broker companies to pay their employees on consumer/borrower paid compensation**

**Problem:** Under the consumer paid compensation section, the Fed rule states that, *“If any loan originator receives compensation directly from a consumer.....: (i) No loan originator shall receive compensation, directly or indirectly, from any person other than the consumer in connection with the transaction;”*

In borrower paid transactions, mortgage broker originators (employees) can only be paid a salary or hourly wages.

**Solution: Preserving Consumers’ Mortgage Origination Choices Act of 2011 (H.R. 2509) introduced by Gary Miller.** This will allow Mortgage Brokers to pay their loan originators the same compensation as in a lender paid transaction.

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# Loan Originator Compensation Technical Corrections for Dodd-Frank Act

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**Allow mortgage brokers to make fee reductions for discrepancies in the Good Faith Estimate at the beginning and at closing to cover shortfalls which sometimes result because of last minute third party fee changes, extensions, etc.**

**Problem:** The Fed rule creates the inability for loan originators to lower compensation on loans.

- It creates the inability to lower compensation to correct Good Faith Estimate (GFE) errors at closing. This delays closings and does not allow the LO to be responsible for errors on fee disclosures if they so choose.

**Solution: Preserving Consumers' Mortgage Origination Choices Act of 2011 (H.R. 2509) introduced by Gary Miller.** CAMP is in negotiations with Congressman Miller, Ranking Member Frank and Chairman Bachus on mutually agreeable language.

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# HR Bill 1754 to permanently increase the conforming loan limits

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Mr. GARY G. MILLER & Mr. BRAD SHERMAN introduced HR Bill 1754 "To permanently increase the conforming loan limits for the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association and the FHA maximum mortgage amount limitations."

Currently, Temporary loan limits expire September 30, 2011

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# Dodd-Frank Act Corrections Opportunity to Weigh-In

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## Goal – Allow for Appraisal Portability

**Problem:** The Dodd-Frank Act includes language directing the regulators to come up with standards regarding appraisal portability. Such appraisal portability standards have not yet been promulgated.

**Solution:** Pursuant to the Dodd-Frank Act, the Federal Reserve should move forward with regulations allowing for the portability of appraisal reports.

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# Dodd-Frank Act Corrections Opportunity to Weigh-In

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## Goal – Allow for Loan Originators to choose the AMC

**Problem:** The Dodd-Frank Act includes language directing the Federal Reserve Board to prescribe interim final regulations on appraisal independence to replace the Home Valuation Code of Conduct (HVCC). The Interim Final Regulations, released on October 18, 2010, define acts or practices that violate appraisal independence for all individuals involved in the mortgage process. While the Fed's Rule allows mortgage professionals to order appraisals, Fannie Mae and Freddie Mac's guidelines still prohibit mortgage professionals from ordering appraisals.

Frequently, AMC's employ appraisers who are not experts in a particular area or with a particular type of property. This is a significant problem in home valuation because non-local appraisers may not be familiar with all the valuation factors specific to the communities in question.

**Solution:** Require Fannie Mae and Freddie Mac to follow the Fed's appraisal independence Rule and allow mortgage professionals to order appraisals by giving them the choice to give their business to AMC's that use only local appraisers.

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# Consumer Finance Protection Bureau CFPB

## The Bride of FrankenDodd

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Nominee former Ohio Attorney General  
Richard Cordray

Under the Dodd-Frank Act, the newly  
created CFPB is charged with combining and  
simplifying the disclosures required under:

**Truth in Lending Act (TILA)**

**Real Estate Settlement Procedures Act  
(RESPA)**



# **Dodd-Frank Act – Implementation Mortgage Disclosure**

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## **Opportunity to Weigh In with the CFPB**

**CAMP was present in each of the meetings and provided input:**

**We provide Views About How Merged Form Should Look:**

- Level Playing Field for All Originators
  - Reduce Current Consumer Confusion
  - Improve Clarity So Consumers Can Make Informed Decisions
  - Consumer Testing to Avoid Unintended Consequences
  - Opportunity for Corrections
  - Ensure Forms Do Not Add Costs for Consumers
  - Ensure Forms Do Not Slow the Process
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# **Dodd-Frank Act – Implementation Mortgage Disclosure**

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## **Opportunity to Weigh In with the CFPB**

CAMP is giving input with each round of testing the disclosures.

CFPB has been testing the new disclosure in stages. CFPB will interview mortgage brokers, bankers and consumers over a 4 week period of time. There will be an open opportunity for you to comment on the draft that is current at that time. CFPB will be testing in LA, Albuquerque, Springfield MA, Baltimore, Chicago, and Birmingham. Again, this is an opportunity for you to participate and design a disclosure that will be of use to you and the consumer.

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# Dodd-Frank Act – Implementation Mortgage Disclosure Example from August 1, 2011

FICUS BANK

4321 Random Boulevard  
Somerville, ST 54321

LOAN ID # 1330172608  
LOAN OFFICER Joe Smith  
PHONE 555-123-4444  
EMAIL joe.smith@ficusbank.com

## Loan Estimate

LOAN AMOUNT \$216,000  
LOAN TYPE 30 year adjustable  
PURPOSE Purchase  
PROGRAM Conventional

### Key Loan Terms

Interest rate	2.5% to start
Monthly loan payment	\$853.47
Monthly taxes and insurance	\$427

### Cautions

Can loan features trigger additional payments?

Increasing loan amount	<input type="radio"/> NO
Balloon payment	<input type="radio"/> NO
Prepayment penalty	<input type="radio"/> NO

### Comparisons

Use these additional measures to compare this loan with other loans.

Annual Percentage Rate	5.59% expresses interest over the life of the loan
In 5 Years	\$19,761 is the loan balance

### Projected Payments

Expect to make these payments:

AT CLOSING	YEARS 1-2
\$10,060 Estimated Closing Costs See details on back.	\$1,280 a month Includes \$427 estimated taxes and insurance.
+ \$24,000 Down Payment	

These amounts will be adjusted for credits and deposits.

CREDITOR Azalea Savings Bank NMLS ID 76543210  
LOAN OFFICER Joe Smith NMLS ID 76543210  
PHONE 555-123-4444 EMAIL joesmith@azaleasavingsbank.com

LOAN ID # 1330172608  
PAGE 2

### Estimated Closing Costs

<b>A</b> Origination Charges	Origination Services	\$330
	<input type="checkbox"/> 1 Points paid for interest rate	\$1,710
<b>B</b> Services You Cannot Shop For	<input checked="" type="checkbox"/> Appraisal <input type="checkbox"/> Lender's Attorney	\$508
	<input checked="" type="checkbox"/> Credit report <input type="checkbox"/> Other	
<b>C</b> Services You Can Shop For	Title Services and Lender's Title Insurance	\$1,456
	Borrower's Attorney	\$400
	Survey	\$95
	Inspections	\$112
<b>D</b> Taxes and Other Government Fees	Transfer Taxes	\$1,425
	Recording Fees	\$115
	Government Taxes and Other Fees	\$0
<b>E</b> Lender Credits		\$0
<b>Estimated Closing Costs (A + B + C + D - E)</b>		\$6,151

### Cash Needed to Close

<b>F</b> Future Costs Paid at Closing	Insurance and property-related bills due at closing:	
	<input type="checkbox"/> Property taxes <input type="checkbox"/> Mortgage Insurance	
	<input type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> HOA/Condo/Co-op	\$525
	Payment into escrow for future insurance and property-related bills:	
	<input checked="" type="checkbox"/> Property taxes <input type="checkbox"/> Mortgage Insurance	
	<input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> HOA/Condo/Co-op	\$703
	Prepaid Interest (15 days @ 4.375%, \$20.78 per day)	\$312
<b>G</b> Adjustments	Down Payment (minus \$9,000 deposit)	\$10,000
	Seller Credits	-\$0
	Closing Costs to be Financed	-\$0
<b>Cash Needed to Close (Estimated Closing Costs + F + G)</b>		\$17,781

You have no obligation to choose this loan. Shop around to find the best loan for you.

PECAN BANK

LOAN ID # 1330172608  
APPLICANT Jane Johnson  
PROPERTY 456 Avenue A, Anytown, ST 12345  
LOAN TYPE 30 year adjustable rate  
PURPOSE Purchase  
PROGRAM Conventional

DATE May 18, 2011  
EXPIRES June 2, 2011 at 3:00 PM

CREDITOR Camellia Savings Bank NMLS ID 76543210  
LOAN OFFICER Joe Smith NMLS ID 76543210  
PHONE 555-123-4444 EMAIL joesmith@camelliasavingsbank.com

LOAN ID # 1330172608  
PAGE 2

### Costs and Fees

<b>A. ORIGINATION CHARGES</b>	
Points <input type="checkbox"/> %	\$1,710
Wire Transfer Fee	\$30
Verification Fee	\$75
Processing Fee	\$50
Underwriting Fee	\$150
Application Fee	\$25
<b>B. SERVICES YOU CANNOT SHOP FOR</b>	
Credit Report Fee	\$9
Appraisal Fee	\$305
Compliance Review Fee	\$3
Tax Status Research Fee	\$45
Flood Determination Fee	\$20
Tax Monitoring Fee	\$50
Warehousing Fee	\$52
Rush Fee	\$14

### C. SERVICES YOU CAN SHOP FOR

Lender's Title Policy	\$439
All Other Title Service Fees	\$1,017
Survey Fee	\$95
Borrower's Attorney Fee	\$400
Post Inspection Fee	\$75
Structural Inspection Fee	\$17

### D. TAXES AND OTHER GOVERNMENT FEES

Transfer Taxes	\$1,425
Recording Fees	\$115

### Future Costs Paid at Closing

<b>E. BILLS DUE AT CLOSING</b>	
Mortgage Insurance Premium (2 months)	\$0
Homeowner's Insurance Premium (2 months)	\$525
Prepaid Interest (\$20.78 per day for 15 days)	\$312
<b>F. PAYMENT INTO ESCROW FOR FUTURE BILLS</b>	
Homeowner's Insurance (2 mo. at \$87.50 per month)	\$175
Mortgage Insurance (2 mo. at \$86.93 per month)	\$174
Tax & Assessment (2 mo. at \$222 per month)	\$444
HOA/Condo/Co-op (0 mo. at \$0 per month)	\$0

### Estimated Closing Costs

A + B + C + D	\$6,151
Lender Credits	\$0
<b>Estimated Closing Costs</b>	\$6,151

### Cash Needed to Close

Estimated Closing Costs	\$6,151
E + F	\$1,630
Down Payment (minus \$9,000 deposit)	\$10,000
Seller Credits	-\$0
Closing Costs to be Financed	-\$0
<b>Cash Needed to Close</b>	\$17,781

make.

<b>YEARS 1-8</b>	As much as \$1,810 a month
<b>YEARS 9-30</b>	As much as \$1,810 a month
17 estimated taxes and insurance	+ \$317 estimated tax and insurance.
Estimated total	Estimated total
\$0 to \$2,237 a month.	\$1,170 to \$2,127 a month.

### CAUTIONS

These features trigger higher or additional payments.  
Adjustable Interest Rate..... **As high as 10%**  
Increasing Monthly Payment..... **As high as \$1,810**  
Increasing Loan Amount..... **No**  
Balloon Payment..... **No**  
Prepayment Penalty..... **No**

### COMPARISONS

Use these additional measures to compare this loan with other loans.  
In 5 Years ..... **\$79,993**  
Amount you have paid  
**\$19,761**  
Amount of loan paid off  
APR..... **5.59%**  
\* Expresses interest and costs over 30 years.

www.consumerfinance.gov/futureurl

You have no obligation to choose this loan. Shop around to find the best loan for you.

For additional information and tools, visit [www.consumerfinance.gov](http://www.consumerfinance.gov)

Please go to <http://www.consumerfinance.gov/knowbeforeyouowe/> and give feedback

# Regulation Z - Ability to Repay

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**Background:** Section 1412 of Dodd-Frank Act set a new requirement for loan originators to determine a borrower's ability to repay. The Federal Reserve Board has proposed its ATR Rule that gives Loan Originators four options to qualify a borrower. Under the ATR Rule.

1. General Ability to Repay Standard
2. Qualified Mortgage (QM)
3. Balloon Payment Qualified Mortgage
4. Refinancing of a Non-Standard Mortgage

**Problem:**

1. The Cap on points and fees under the QM.
2. The calculation of Points and Fees under the QM.
3. The small loan exception to the 3% cap in the QM.

**Solution:**

1. Remove the 3% Cap on points and fees
  2. Remove a mortgage broker's compensation from counting towards the 3% Cap
  3. Increase the small loan exemption level to \$175,000
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# Qualified Residential Mortgage

## QRM

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**Background:** Section 941 of Dodd-Frank Act requires the federal banking agencies, the SEC, the Secretary of HUD, and the FHFA (“the Agencies”) to jointly issue regulations to require securitizers to retain an economic interest in a portion of the credit risk for residential mortgages that they use to collateralize asset-backed securities. Dodd-Frank requires the “Agencies” to exempt securities from this requirement that are backed only by loans with low default risk that meet a **Qualified Residential Mortgage (QRM)** standard.

**Problem:** The proposal to require a minimum 20 percent down payment, maximum front end and back end ratios limited to 28/36; and points & fee caps at maximum of 3%. These proposed regulations will hurt consumers by limiting access to credit for well-qualified borrowers.

### **Solution:**

- 1. Under points and Fees:** Ask for the QRM to match the final QM definition
  - 2. Loan to Value:** Ask for any loan above 80% LTV with PMI to be considered qualifying under the QRM
  - 3. Debt to Income Ratios:** Ask for the general ability-to-repay standard instead a specific debt to income ratio to be used
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# Housing Finance Reform

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**Background:** GSE's have cost the taxpayers over \$130 Billion to date. Between the GSE's and FHA, the combined market share is over 90% of all loans originated.

## **Miller's Bill**

*SECONDARY MARKET FACILITY FOR RESIDENTIAL MORTGAGES ACT OF 2011*

## **Campbell's Bill**

*HOUSING FINANCE REFORM ACT OF 2011*

## **Hernserling's Bill**

*THE GSE BAILOUT ELIMINATION AND TAXPAYER PROTECTION ACT*

## **Individual GSE Bills**

The House Financial Services Committee has passed 15 narrow GSE policy bills that will be wrapped into one broad GSE reform bill that will be include in Chairman Bachus's

GSE Bill.

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## **We Can Have an Impact!**

**“I want to turn it around. I want us to stop getting beat up. The best defense is a good offense.”**

**-Fred Kreger, CMC**

**We must, indeed, all hang together or, most assuredly, we shall all hang separately.**

**-Benjamin Franklin**

# **Together, We CAN Make a Difference!**

## **-Get Involved-**

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### **Policymakers Need to Know How You are Impacted by Their Decisions**

#### **Unified Voice through Calls to Action.**

- Respond to Calls to Action
- Urge Colleagues to Respond to the Calls to Action.

#### **Get to know your Congressional Representatives (and their aides)**

- Make district office visits.
- Participate in coordinated industry 'Lobby Days.'
- Attend Member events.

#### **Work with the 200 Club Team**

- Follow 200 Club Updates to stay informed
  - Let us know your thoughts: [200club@ca-amp.org](mailto:200club@ca-amp.org)
  - Contact Fred Kreger: [ga@ca-amp.org](mailto:ga@ca-amp.org)
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# Communicating with Congress

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**Effective communication** is the only way policymakers will know and understand the impact of pending legislation on mortgage professionals.

## The 3 C's of Effective Communication

Clear

Constructive

Courteous

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# Communicating with Congress

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## Effective Meetings with Representative or their Staff

### Prepare for the Meeting

- Learn about Committee assignments, bill sponsorships, and voting record on issues important to mortgage originators prior to the meeting.
- Know the local impact.

### Make a Specific Request

- Ask for a specific action to be taken by the member (i.e. oppose or support a particular bill, offer an amendment, sign a letter, make a phone call, etc).

### Follow Up

- Send a thank you email to the staff person soon after your visit.
  - Repeat your specific request.
  - Provide any requested follow up information.
  - If often takes several contacts with a member of Congress to influence legislative action
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# CAMP Government Affairs Goals 2011-2012

- **\$100,000 in combination of Legislative funds from chapters and individuals, 200 Club Memberships and Fed PAC funds**
- **10 Vice Chairs to head up GA issues on Fed and State**
- **Develop a GA calendar to ensure consistency throughout the month to include: Webinars, Video messaging, conference calls, in-district lobby days, Sacramento and DC Lobby days, fundraising events.**
- **Unifying our voices amongst the other organizations**
- **Disseminate real time information to members:**
  - **Blog Site <http://realestatemarbles.com/campga/>**
  - **Facebook : California Association of Mortgage Professionals (CAMP)**
  - **Twitter: CAMPLive**
- **Present to chapters from me and the vice chairs to always speak at each chapter event to give updates and fundraise**



**Together, We CAN Make a Difference!  
-Get Involved-**

## **Join the '200 Club'**

Exclusive group of individual mortgage professionals from around the country.

Sole purpose is to educate and advocate to Federal legislators and regulators the true value that mortgage professionals and brokers bring to the table for consumers.

The 200 Club keeps you informed and provides strategic plans to save our industry!