

MIGHTY MORPHIN' MORTGAGE MARKETS

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Community Associations Institute 2011

Overview

- Why are we here?
- What's going on?
- Current issues related to housing finance
- 2011 and beyond

Why are we here?



Imploded

In 2008 the U.S housing market imploded, wiping away trillions in equity, bankrupting the mortgage finance system and almost tipping the economy into a recession.

Why are we here?

Why are we here (or why am I here?)

- Learn about what is happening in housing markets
- Understand the challenges we face in 2011 and beyond
- Prepare ourselves to engage on key issues with Albany and with Washington

What I hope you take away

- Understanding of current state of housing market
 - (Hint – it's really bad)
- Understanding of current financing issues/role of FHA
- What we can learn from FHA guidelines on mortgages for all community association property
- What each of us need to do to prepare for 2011 and to protect our communities

What's going on?

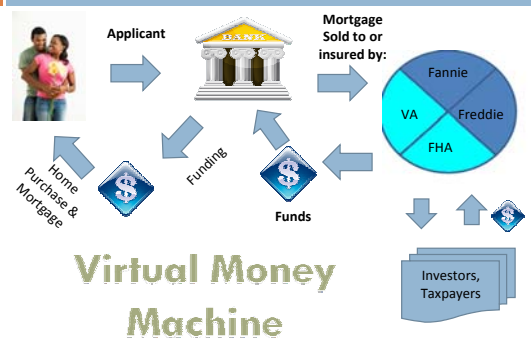
Facts about the crisis

- # of American's that own their home 75 million
- # of homes that have declined in value: 59 million
- # of homes worth less than their mortgage: 10.7 million
- % of borrowers who are "underwater": 23%
- Foreclosures in 2010 – 3 million
- Amount in \$ pledged by govt. to keep markets functioning – unlimited

The players

- Fannie Mae
- Freddie Mac
- FHA
- Other

Role of GSE's/FHA



The issue

- How do we rebuild the mortgage finance system?
- Who will get mortgages and for what type of home in what type of community?
- Will the government back mortgage debt (ala Fannie Mae) or will it leave it to private markets?

Current Issues

Current Issues

- FHA condominium guidelines
- FHFA deed-based transfer fee thingy
- Dodd-Frank Act of 2010

Background

- Role of FHA
 - FHA mortgage insurance assures funding for low income or first time homebuyers.
 - Fannie/Freddie and other federal or federally chartered organizations – ensure liquidity in mortgage markets
 - Bundle, securitize and spread risk
 - Model for 70 years..until September 7, 2008

Current Conditions

- Post September 7, 2008
 - Fannie and Freddie go into receivership
 - Taxpayers ensure debt obligations
 - Begins process of finding new models to ensure flow mortgage financing
 - Agency responses – New borrowing requirements
 - Legislative responses – Cram-Down
 - Markets and borrowing requirements enter a period of flux and transition
 - FHA share of condo mortgages skyrockets

Why Condos Should Care:

- Understanding the FHA requirements is critical to ensuring condo units are marketable to the largest pool of potential buyers possible.
- Non-FHA approved properties lock out nearly 1/3 of potential buyers.

FHA Mortgage Guidelines

- Final Regulations Issued Nov., 2009
- New Guidelines for Condo insurance
 - Requirements (effective January 2010)
 - 50% owner occupied
 - 30 % presale until 12/2010, then 50%
 - Up to 30% exposure by project
 - No more than 25% commercial
 - No more than 15% of units 30 days delinquent
 - No more than 10% of units owned by one investor
 - Budget requirements
 - Insurance requirements

FHFA Draft Regulation

- Issued in August
- Would “De-Fund” mortgages w DBTFs
- Concern about private transfers
- Community association fees included
- Pushed for by ALTA and NAR

CAI's Response

- Survey to collect data on fees
 - 1300 + communities responded
- Individual community comment instructions
- Grassroots letter to all CAI members
- Meetings with stakeholder groups
- Meetings with members of Congress

Dodd-Frank Bill

- Requires government to develop "Defined Mortgage Products"
 - Five federal agencies working on this
 - Will determine who gets mortgages
 - Will mortgages for community association property be included?
 - What is CAI doing about it?

2011 and beyond

What you should know...

- FHA criteria
 - Owner occupancy
 - Reserves
 - Delinquencies

What we need to do

- Provide the administration with data
- Work with Congress to pressure the administration
- Coordinate between chapters/LACs and CAI HQ on state/federal conflicts
- Make our voices heard

Resources:

- CAI FHA Info
 - [FAQ](#)
 - [Recertification FAQ](#)
- [CAI FHFA Resource Center](#)
 - [CAI Comments to FHFA](#)
 - [CAI Transfer Fee Survey](#)
- [CAI Comments to the White House](#)