



Background



The Challenge:

The rules that determine:

Who gets a mortgage

For what type of home

In what type of community

Will dramatically change during 2012
(and things might get worse before they get better)



Dodd-Frank



Dodd-Frank Act - 2010

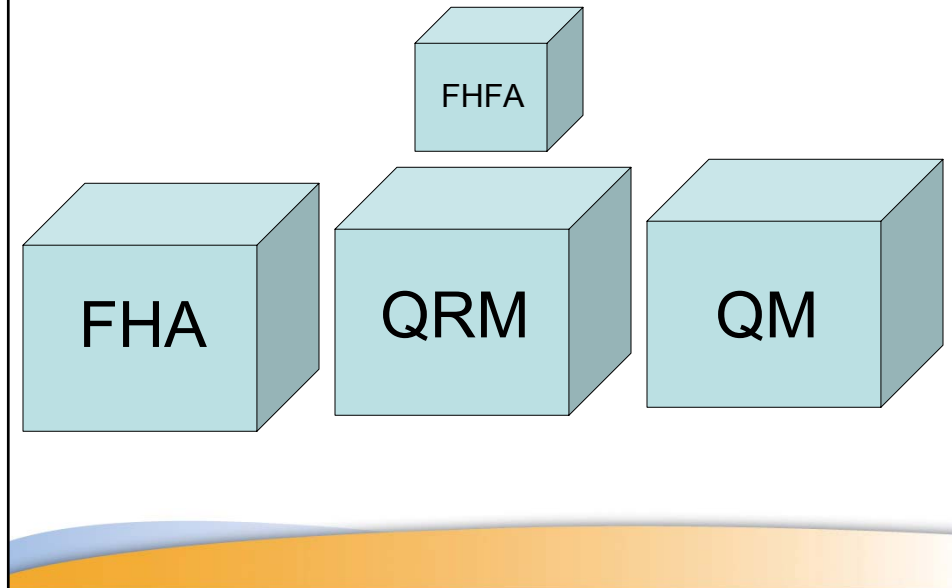
Regulates host of financial industries

Triggered more than 200 draft regulations

Established so-called QRM

Established CFPB

Federal Mortgage Regulations



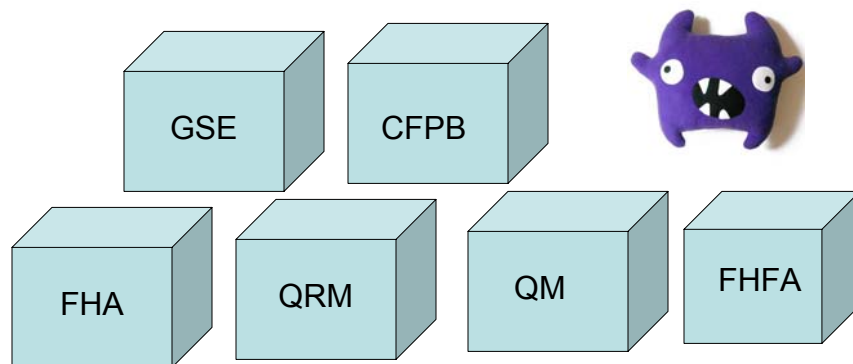
2011

- New Mortgage Finance System Emerges
 - QRM - Type of mortgages
 - QM - Borrowers ability to repay
 - FHA - Default underwriter
 - FHFA - Transfer fees

Impact on Associations

- The Good:
 - Standards for payment of assessments (QM)
- The Not-So-Good:
 - Difficulty qualifying for FHA financing
 - Lack of transparency in rulemaking
 - Non FHA Loans written to FHA rules
 - Some progress on criteria
 - Proposed Regs disqualify 70% of borrowers = Greater reliance on FHA

Federal Mortgage Regulations -2012



GSE Reform

- FHFA
 - Oversight of Fannie and Freddie
 - Has called for bulk sales to investors
 - Has proposed mortgage abeyance for unemployed
 - Larger issue of government's role in mortgage markets



- CFPB is a hallmark of the Dodd Frank Act
- Particular focus of intense partisan rancor
- CFPB's main objectives
 - Educate consumers against deceptive practices
 - Enforce federal financial consumer protection laws
 - Study markets and business practices
- CFPB is primary author of QM rule and therefore can have a significant impact on association governance and industry practices

CFPB

Impact on homeowners

- Improved mortgage disclosures
 - Know Before You Owe initiative
 - All mortgage loans meet new criteria—no more regulatory gaps
 - Ability to Repay Standard
- Emerging consumer abuses can be stopped
 - Broad authority over banks and non-banks
 - Ability to expand entities under its supervision

CFPB

Impact on associations

- New scrutiny of association assessments
 - Assessment increases
 - Special assessments
 - Other fees
- Potential use of mortgage standards to change association business practices
 - Transfer fees
 - Association foreclosures

2012

- More policy conflicts
 - REO, Loan Relief, Delinquency, QM, QRM & FHA
 - FHFA v. City of Chicago
- CFPB
- FHA bailout?
- Liability creep
 - FHA certification
 - QM 3rd Party Reliance

Action Items

- Pay attention to:
 - Reserves, assessment delinquencies, insurance and rentals
 - Understand new areas of potential liability
 - Stay on top of developments
 - Respond to surveys and calls to action

Resources

- CAI's Mortgage Matters Blog
– www.caimortgagematters.org
- Twitter feed - @CAIGPA