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## Notes from MBA National Policy Conference: The QRM

Fri, 2011-04-01 22:36 — Peter Fugaro

Every spring, the Mortgage Bankers Association hosts a policy conference in Washington DC to discuss the latest regulatory and law making initiatives that affect the mortgage banking industry. This important event is not only designed to inform members on policy issues, but organizes a day on Capitol Hill which allows attendees to meet with their state's congressional members and their staff to bring a unified message on critical topics.



As we experience unprecedented change in real estate financing, and as **Dodd-Frank** drives forward towards implementation, this gathering of industry professionals may be the most important event yet.

The regulatory changes being enacted will shape the viability and dynamic of independent mortgage bankers and brokers ... but none more than risk retention and the definition of a qualified residential mortgage (QRM).

Dodd-Frank tries to ensure that the originating company has "skin in the game" by requiring lenders to hold back from sale 5% of a loan's principal. Fortunately, thanks to successful lobby efforts by MBA and its members, an amendment is included exempting a qualified loan.

However, the definition of a QRM is being established this week and is putting the idea of a qualified loan in a tight credit bucket including only loans with no higher than a 80% LTV, DTI of 28/36 and no 60 day latest in 2 years. While government products are considered exempt from this provision, as well as Fannie and Freddie ... while they are in conservership, the idea of private capital coming back to the market seems remote with rule. The rule will hurt the small players and inevitability limit options for consumers.

How much influence the congress will have on the provisions remains to be seen. As our government tries to get a handle on a looming debt crisis, a third military action abroad and implementation of health care reform, it is up to us to speak out for the industry and ensure common sense practices are used in rule making.

You can help by reading up on these issues (the **MBA website** is an excellent source) and writing, emailing and calling your senators and representatives to let them know the effect on your business and future home buyers.

Next post, I will share the level of reception we get on the Hill, so stay tuned.

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