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Diverse Group Calls on CFPB to Create Broad QM Market – Narrow QM Would Harm Consumers and the Housing Recovery

Washington, DC (April 16, 2012) – A diverse group of 33 lenders, housing professionals, consumer advocates and civil rights organizations came together today to call on the CFPB to issue broadly defined and clear Qualified Mortgage (QM) standards as part of the forthcoming Ability to Repay regulation.

The organizations wrote to Richard Cordray, Director of the Consumer Financial Protection Bureau, that a narrowly defined QM would undermine prospects for a housing recovery and threaten the redevelopment of a sound mortgage market.

“Congress intended that all creditworthy borrowers – especially low- and moderate-income borrowers and families of color – should be extended the important protections of a QM ... A broad QM, which includes sound underwriting requirements, excludes risky loan features, and gives lenders reasonable protection against undue litigation risk, will help ensure revival of the home lending market.”

Federal Reserve Chairman Ben Bernanke, other regulators and many private sector economists and housing market analysts have highlighted the fact that today’s underwriting standards are too restrictive and are holding back a housing recovery. A narrowly constructed definition of Qualified Mortgages would further tighten credit, and harm consumers, curtail lending and jeopardize the fragile housing recovery.

- Consumers - Many of today’s loans and borrowers would be forced into the *non-QM* market, which will be far costlier, burdening families least able to bear the expense. Furthermore, these higher-priced loans would not be required to include important protections against the loan features that drove the highest failures in the mortgage boom – negative amortization, interest- only payments and the like – that are embedded in QM.
- Lending – If more borrowers are forced into the non-QM market, lenders and investors will be at greater risk of violating ability to pay violation and anti-steering rules. As a result of these increased risks, these loans are either less likely to be made or else made at increased cost to consumers.
- Housing market – If the parameters of the QM are not clear, risks become unpredictable, forcing lenders to decrease their risk tolerance and operate well within the standards.

- Such an outcome will lessen both the availability and affordability of credit for far too many borrowers.

“Creating a broad QM, which includes sound underwriting requirements, excludes risky loan features, and gives lenders reasonable protection against undue litigation risk, will help ensure revival of the home lending market,” wrote the organizations.

The following organizations signed on to the letter, which is available at:

<http://www.ksefocus.com/billdatabase/clientfiles/172/3/1479.pdf>

- 1 American Bankers Association
- 2 American Escrow Association
- 3 American Financial Services Association
- 4 American Land Title Association
- 5 American Securitization Forum
- 6 Asian Real Estate Association of America
- 7 Center for NYC Neighborhoods
- 8 Community Associations Institute
- 9 Columbus Housing Partnership
- 10 Community Mortgage Banking Project
- 11 Community Mortgage Lenders of America
- 12 Consumer Bankers Association
- 13 Consumer Mortgage Coalition
- 14 Financial Services Roundtable
- 15 Habitat for Humanity International
- 16 Housing Policy Council
- 17 Independent Community Bankers of America
- 18 Leading Builders of America
- 19 Mortgage Bankers Association
- 20 Mortgage Insurance Companies of America
- 21 National Association of Hispanic Real Estate Professionals
- 22 National Association of Home Builders
- 23 National Association of Mortgage Brokers
- 24 National Association of Neighborhoods
- 25 National Association of Real Estate Brokers
- 26 National Association of Realtors®
- 27 National Community Reinvestment Coalition
- 28 National Council of State Housing Agencies
- 29 National Housing Conference
- 30 Real Estate Services Providers Council, Inc. (RESPRO®)
- 31 Real Estate Valuation Advocacy Association
- 32 The Appraisal Institute
- 33 The Realty Alliance

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