

LEGISLATIVE BULLETIN

Mortgage Bankers Association of Georgia
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May 2006

MBA NATIONAL POLICY CONFERENCE IN WASHINGTON, D.C.

Connie Lussier, President of MBAG, along with Tyler Wood, President Elect of MBAG, Bart Chandler, Past President of MBAG, and Richard Raymer, Legal Counsel attended the MBA's National Policy Conference in Washington in late April. MBA arranged for an outstanding group of speakers including House Financial Services Chairman Mike Oxley, Senator Hillary Clinton, HUD Secretary Jackson, Commerce Secretary Gutierrez, and Treasury Secretary Snow. The MBAG group was joined by Kieran Quinn with Column Financial, Inc. who is on the ladder to become MBA president, and by Scott Kelly with United Guaranty as we went to the Hill for a day of lobbying efforts. We visited both of Georgia's senators and several members of the House of Representatives. The most important issues we discussed were as follows:

GSE OVERSIGHT REFORM

While the House has passed H.R. 1461 providing for a new GSE regulator, the Senate has not yet acted on its version of a GSE bill. We asked our Senators to get a bill passed which would provide for a strong banking type regulator that would have the authority and flexibility to set and adjust risk based and capital requirements. There should not be statutory limits on the GSE's portfolios or on the specific types of investments that a GSE could hold in its portfolio so that the GSE's can continue to provide liquidity in the secondary market in changing economic conditions.

PRESERVE THE DEDUCTIBILITY OF INTEREST AND STATE AND LOCAL TAXES

We pointed out the importance of home ownership and the powerful incentive for home ownership that the deductibility of interest and state and local property taxes provides to people. It was also emphasized that if the deduction for home mortgage interest is eliminated that the value of homes would decrease by an estimated 15%. Our legislators all assured us that any bill to eliminate the interest deduction would be "DOA" or dead on arrival. We also asked that mortgage insurance premiums be deductible just as interest is deductible. The Senate passed reconciliation bill on the budget does include such a deduction for one year. We asked that this deduction for mortgage insurance be made permanent for the life of the loan as another incentive for the continued expansion of home ownership.

INCREASE IN THE GINNIE MAE FEE

The Administration has proposed a 6 basis points administration fee for the use of Ginnie Mae's MBS program. The mortgage industry is opposed to this fee. It was pointed out that Ginnie Mae has never operated at a loss and in fact generated over 737 million dollars in profit to the US Treasury in 2004. This fee would have the effect of increasing costs to low and moderate income Americans served by the Ginnie Mae program.

FHA

MBA and MBAG asked our legislators to support H. R. 5121, "The Expanding American Homeownership Act of 2006", which would create flexible downpayment requirements, allow FHA to use risk-based pricing for its premiums, allow loan terms up to 40 years, increase loan limits to 100% of conforming loan limits in high cost areas, and raise the minimum to 65% of conforming loan limits.

INCREASE IN MIP ON FHA MULTIFAMILY LOANS

The administration has proposed nearly doubling the FHA multifamily mortgage insurance premium. MBA and MBAG opposes this increase. The FHA multifamily MIP is profitable, and the increased fee would result in fewer properties being built or rehabilitated, and would increase rents by 5% on properties that will continue in this FHA program.

We were very pleased with the comments from our legislators, most of whom promised to help us on these very important housing issues.

Treasury Secretary Snow predicted that interest rates would remain relatively low by historical standards for the remainder of the year. Secretary Jackson of HUD commented that HUD had been very much preoccupied with the aftermath

of Hurricane Katrina, but that it had not forgotten about RESPA reform. He assured the audience that HUD had heard industry comments and would try to have a proposed rule out before the end of the year. Reading between the lines of his talk, I think we will not see any proposal about bundling of services but rather some sort of guarantee as to fees and costs on the good faith estimate.

If you have any questions or would like materials referred to in this newsletter, please contact Richard Raymer, Thomas Shealy, or Mo Thrash at (770) 643-7200.

Posted on the web site for your information is a detailed report from MBA on these and other issues. To access this, go to www.mbag.org and when you open the home page, look to your left in the blue area and click on “GSE Reform and other Federal Issues” or click on the following link:

<http://mbag.org/media/pdf/MBA%20Issues.pdf>