

July 30, 2008

Dear MBA Member,

This morning President Bush signed into law The Housing and Economic Recovery Act of 2008 into law.

Considering the current state of the real estate market, I can say with 100% confidence that this is indeed the most significant piece of housing-related legislation that we have seen in more than a generation. While there is no cure-all to solving the nation's housing problems, this bill will serve as the foundation for responsible solutions in the future.

While this bill did not enjoy an easy road to passage, it is gratifying to see that many of the provisions that MBA tirelessly lobbied for are part of this landmark housing bill. FHA modernization and GSE oversight reform have been long standing goals of MBA and these provisions are reflected prominently in the new bill. In fact, MBA testified before Congress thirty times in 2007 and 2008 on issues related to this bill.

In addition, several of the provisions that MBA and its members found troublesome are not included in the bill, most noticeably the bankruptcy cramdown reform provision. MBA launched an extensive communications and advocacy campaign, over several months, affirming the industry's opposition to the bankruptcy reform proposal. Our Chairman-Elect, David Kittle, also provided testimony before Congress on several occasions regarding bankruptcy. In the end, the bankruptcy provision was deleted from the bill, despite heavy lobbying efforts from various consumer groups who supported it.

Among the bill's provisions are several that MBA feels are vastly important to our member companies as we look to secure the future of our industry:

**FHA Modernization:** Authorizes a \$25 million appropriation to improve technology, processes, program performance, eliminate fraud and provide appropriate staffing. Effective January 1, 2009, it also increases the FHA loan limit to the lesser of 115 percent of the local median home price or \$625,500 with a floor for lower priced markets of \$271,000, establishes a 12-month stay on FHA's proposal for risk-based premiums, sets the down payment requirement at 3.5 percent and prohibits seller-funded down payment assistance (both direct or through a third party).

**GSE Oversight Reform:** Creates a new regulator (five-year term, appointed by the President, confirmed by the Senate) with oversight authority similar bank regulators, establishes a new affordable housing fund and capital magnet fund to be funded by a 4.2 basis point fee on all new loans, significantly changes the affordable housing goals and raises the conforming loan limit to the higher of \$417,000 or 115% of the local median home price, not to exceed \$625,500 (effective January 1, 2009).

**FHA Rescue:** Creates a voluntary program for lenders to write down the loan balance in exchange for an FHA guaranteed loan not to exceed 90 percent of the newly appraised value of the home. The lender would pay a 3 percent FHA loan origination fee. To qualify, the borrower must have a debt-to-income ratio above 31 percent on the original loan. The program is capped at \$300 billion.

**Tax Incentives:** Creates a \$7,500 refundable tax credit for first-time home buyers, expands the volume cap for the low income housing tax credit, allows for tax-exempt treatment of bonds guaranteed by the Federal Home Loan Banks and exempts the low income housing tax credit from the alternative minimum tax.

**"Affordable Rental Housing:** Encourages the development of affordable housing by harmonizing multifamily FHA mortgage insurance programs with the low income housing tax credit. Allowing these two programs to work together will result in more effective uses of both programs.

**GSE Backstop:** Authorizes the Treasury Secretary to temporarily increase the GSEs' line of credit and to, if necessary, buy equity in the GSEs in order to provide confidence to credit markets. Also provides a role for Treasury and the Federal Reserve in GSE oversight to ensure safety and soundness.

**TILA Reform:** Requires TILA disclosures to be delivered seven days prior to loan closing, requires that disclosures include examples of how payments would change based on rate adjustments in addition to disclosing the maximum possible payment under the loan terms and mandates that the consumer receive early disclosures before paying anything more than a nominal fee that covers the cost of a credit report.

**Empowering States:** Raises the cap by \$11 billion on tax-free bonds that state housing finance agencies may use to help at-risk homeowners by refinancing troubled loans and appropriates \$4 billion for states to purchase and renovate abandoned and foreclosed properties.

**Licensing:** Encourages state officials to create a national licensing system for residential loan originators, allows HUD to create its own national licensing system if the states fail, establishes minimum qualifications for all loan originators and requires federal regulators to create a registry for banks and thrift employees who originate loans.

I am proud to say that MBA was instrumental in shaping this bill into a law that will benefit the majority of American homeowners and help to stabilize the nation's housing market. Our hard work has clearly positioned MBA as the leading organization and strongest voice in the real estate finance arena.

As we usher in a new President and a new Congress in January, MBA will continue to work with both the executive and legislative branches to ensure that the housing market continues on the path to full recovery. The Housing and Economic Recovery Act of 2008 is certainly a step in the right direction and I believe it will lead to renewed consumer confidence in the nation's housing market as well as the overall economy.

MBA staff will be working to facilitate extensive discussions between industry players, the relevant federal departments and the federal and state financial regulators in order to address the challenges and questions that will surely arise during implementation of the different programs under this new law.

Sincerely,



Kieran P. Quinn, CMB  
Chairman