

Congress Should Create a New Federal Regulatory Framework for Mortgages

MBA RECOMMENDS

Congress should enact legislation to create a new federal regulatory framework for home mortgage lending which would include new uniform national mortgage lending standards and a new federal regulator to work alongside state regulatory authorities to oversee and enforce the new and existing standards.

BACKGROUND

Consumers in the home mortgage lending market today receive inadequate protection from a patchwork of state and federal mortgage lending laws. MBA proposes a new legislative framework that would replace this patchwork and offer strong protections to consumers nationwide. If enacted into law, these proposals would ensure consistent protections; greatly improve regulation of independent mortgage bankers and mortgage brokers; invigorate a fairer and more competitive primary mortgage market; increase transparency; facilitate greater secondary market investment; foster a return to stability of the nation's financial system; and authorize significant resources to combat mortgage fraud.

Importantly, existing state and federal regulators would not be marginalized under the new structure. Instead, they would act as partners in developing lending standards and reviewing, examining and enforcing the uniform national lending standards in their jurisdictions.

NEW REGULATOR

A new regulator would be created and made responsible for implementing uniform national standards and for establishing loan servicing standards. The new regulator would also be responsible for regulating independent mortgage bankers and mortgage brokers in a partnership with state officials who will review compliance under and enforce the standards.

The new regulator would also be responsible for establishing national counseling and financial literacy standards including requiring mandatory counseling, provided adequate resources are available, for certain

transactions. The new regulator's activities should be overseen by an Oversight Board of the Secretaries of Treasury and Housing and Urban Development (HUD) and the Chairman of the Federal Reserve.

UNIFORM NATIONAL STANDARDS

Uniform National Mortgage Standards (UNMS) would include well-conceived substantive requirements and consumer protections to protect borrowers at the time of loan origination and during the servicing process. The standards would be based on new provisions developed by the Federal Reserve and recent legislative proposals. The standards also would include provisions developed by the Mortgage Bankers Association to make the process fairer for and more transparent to borrowers.

IMPROVING TRANSPARENCY

To increase transparency in the mortgage process, HUD and the Board of Governors of the Federal Reserve, in consultation with the new regulatory body, would be required to develop simpler, combined, coordinated uniform national disclosures and consumer information to empower consumers to better select their mortgage and navigate the mortgage process.

BENEFITS OF A NEW FRAMEWORK

The proposed new regulatory framework would offer tough, comprehensive protection for consumers and end the patchwork and preempt state laws. It would also offer a steady stream of resources to effectively fund regulation and enforcement by state and federal regulators through assessments on regulated entities.