News Release

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Regulatory, Financial Reform to Significantly Impact Future Secondary Mortgage Market

WASHINGTON (May 14, 2013) – New regulations and future reforms to financial markets will have broad implications for housing, mortgage markets and homeownership. That's according to industry insiders at the "Regulatory Issues Forum –Will Federal Regulators Shape the Future of Mortgage Finance?" session today during the Realtors® Midyear Legislative Meetings & Trade Expo.

Jason Gold, senior fellow at Progressive Policy Institute, moderated the session and shared his insights into the current regulatory environment, future reforms and the potential impact on the housing industry. He said that new and pending mortgage rules stemming from the Dodd–Frank Wall Street Reform and Consumer Protection Act and uncertainty surrounding reform of the government-sponsored enterprises Fannie Mae and Freddie Mac are among the top challenges facing the housing industry.

Panelist Barbara Novick, vice chairman at BlackRock Inc., shared her perspective on the many industry players, housing policies and initiatives that are currently impacting mortgage investors and housing finance markets. Novick said more must be done to restore the health of the U.S. housing market and attract greater private capital into mortgage markets.

"There isn't enough private capital available to fund the housing market, so there needs to be a continued and clearly defined role for federal government participation; having no government presence in the market is not a very good idea," she said.

Novick presented several principles for future housing finance reform, including the need for a clearly defined government role and treating all market participants fairly. She said transparency at all levels, from loan origination to securitization, is critical to ensuring a more effective future housing finance system. The return of private capital into the housing finance system also requires reaffirming the rights of first lien holders, addressing eminent domain and other anti-investor proposals, protecting investor rights in servicer settlements, and providing investors with policy and regulatory clarity and certainty.

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Rob Couch, counsel at Bradley Arant Boult Cummings agreed that the government's current level of involvement in housing finance is unsustainable. Couch spoke at the session and said that last year Fannie, Freddie, and the federally-owned Ginnie Mae issued more than 99 percent of all mortgage-backed securities, up heavily from about 44 percent in 2006.

"Something has to change, that amount of risk is far too great for the federal government to continue to assume," he said.

Couch is also a member of the Bipartisan Policy Center Housing Commission, which recently released recommendations for a new housing finance system. He overviewed the commission's proposals for scaling back the government's role in the nation's housing finance system and attracting more private capital to the market, winding down Fannie Mae and Freddie Mac, and replacing them with a new self-supporting government entity that would provide a limited government guarantee for catastrophic risk. Couch said the commission's goal was to jump start more serious discussions over the future of the nation's mortgage market and he anticipates legislative action later this year.

Couch said getting the new finance system right is important. "Owning a home remains the most effective way to build middle class wealth; the nation's needs policies that are favorable to homeowners and homeownership," he said.

Adolfo Marzol, vice chairman at Essent Guaranty Inc., agreed that designing an effective and efficient secondary mortgage market model is important, but so is the handling of the transition from the current system to any new frame work. He said a poorly functioning secondary mortgage market could impede the mortgage and real estate industry, inhibit growth in housing markets and prevent creditworthy consumers from realizing their dreams of homeownership.

The National Association of Realtors® has also developed a set of principles and recommendations for restructuring the secondary mortgage market. These principles call for comprehensive reform of the secondary mortgage market and a new market model that will ensure that mortgages are always available to creditworthy homebuyers; require sound underwriting standards; safeguard taxpayer dollars; and provide for rigorous oversight.

The National Association of Realtors®, "The Voice for Real Estate," is America's largest trade association, representing 1 million members involved in all aspects of the residential and commercial real estate industries.

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