



National Association of Independent Housing Professionals

601 Pennsylvania Ave. NW • South Building, Suite 900 • Washington, DC 20004

June 13, 2011

President Barack Obama
The White House
1600 Pennsylvania Ave.
Washington, DC 20500

Dear Mr. President:

I represent thousands of licensed, small business housing professionals, with members in all 50 states and the District of Columbia.

As you are well aware, this country is experiencing the worst financial crisis since the Great Depression. While your Administration and Congress search to find a solution to our economic troubles, consumers and small business continue to struggle with Main Street consequences created by misguided government regulations.

Since 2009, almost every housing rule, regulation, guideline and/or law, designed to protect the consumer, has ended up having the opposite effect.

In the fragile housing finance market, consumer costs have increased substantially, including for those with excellent credit. At the same time, fraud has risen sharply instead of declining. Moreover, underwriting guidelines have become so restrictive even well qualified borrowers are being denied financing.

Numerous (independent) studies all indicate local housing professionals did not create the mortgage meltdown or financial crisis but as the “boots on the ground” professionals in every community in America, we know how to fix it.

We urge you to consider the following proposal:

NAIHP recommends an immediate suspension of certain rules, regulations and guidelines, until our housing industry and economy recover. Once a recovery takes hold, GAO studies should be conducted to determine the necessity for renewed government intervention. Consumer protection would NOT be jeopardized, as outlined below.

Residential Appraisals:

In May 2009, the GSE's implemented the Home Valuation Code of Conduct, or HVCC.

These guidelines were designed to prevent appraiser influence, intimidation and coercion to illegally inflate home values. However, HVCC has not achieved its goal of consumer protection. Instead, the code has eliminated the jobs of tens of thousands of appraisers, increased consumer closing costs an average of \$700 and continues to contribute to the depreciation of residential real estate.

Most importantly, valuation fraud has increased over 50% despite HVCC. A suspension of these GSE guidelines (adopted by Dodd-Frank, Section 1472), will restore employment to the appraisal industry, immediately reduce consumer costs and improve appraisal quality.

Loan Originator Compensation:

Loan originators and mortgage brokers were NOT responsible for this crisis. A smokescreen created by Wall Street and some of the country's largest banking institutions painted these small business (licensed) professionals as the "bad actors." In reality, no originator or broker ever developed any loan program, set the guidelines for same, or approved any loan file. Credible studies, along with economists, including those working for the Federal Reserve Board, have publicly vindicated originators and brokers. However, regulators have chosen to ignore this evidence in favor of big business.

In early April, the Federal Reserve Board implemented a final rule on loan originator compensation. This action was taken without sufficient testing and analysis and with a bias against small business originators and brokers.

In just over two months and as warned by SBA's Office of Advocacy and numerous trade associations, tens of thousands of small business brokers have gone out of business.

Moreover, broker market share dropped significantly during the same time period and consumer costs have increased substantially due to reduced competition and a broker prohibition on giving consumers discounts. The Fed rule itself acknowledges a "significant economic impact on small entities."

This rule can and should be suspended. Once the rule is transferred to the CFPB on July 21, 2011, that agency can put it on hold for up to 18 months.

Dodd-Frank:

Specific sections within Dodd-Frank are harmful to consumers and the overall economy.

Prior to implementing these new rules and regulations, studies should be conducted to determine the unintended consequences. I'm speaking specifically about sections 941 and 1403.

Section 941 concerns risk retention and allows for a "qualified residential mortgage" exemption. However, the current definition of QRM's would bring an already unstable housing market to an abrupt halt. The definition, amongst other things, requires borrowers to have a 20% down payment. This in itself would exclude most low to moderate income borrowers from home ownership. Qualifying ratios are also unrealistically low, which again target low and moderate income borrowers.

Section 1403, pertains to a borrower's ability to repay a loan. While we agree for the need to verify a borrower's income, this section should not be tied to loan originator compensation. The provisions under 1403 for such compensation mirror the Fed rule in many areas. It should be at the very least, suspended, pending an independent study for need and harmful consequences to consumers and small business.

Some rules and regulations will have a positive effect on consumers and the housing market. For example, the CFPB is currently working on a combined Good Faith Estimate of Settlement Costs and Truth in Lending disclosure. This form would replace the now confusing disclosures and simplify the information for borrowers. Elizabeth Warren and Patricia McCoy deserve credit for this undertaking.

Another example would be licensing under the SAFE Act. Brokers and originators have been vetted through a difficult testing and background process. Those licensed under this Act, are now the most regulated and educated in the industry.

Mr. President, on January 18, 2011, you issued an executive order titled "Improving Regulation and Regulatory Review. Apparently, you recognized the need to eliminate certain rules and regulations, because of the actual harm they created to the job market. Considering the continued deterioration of the housing and job markets and our overall economy, further action by executive order is critical to our country.

As the Main Street voice of housing professionals, I would appreciate the opportunity to meet with you and/or your staff to speak about the recommendations outlined above.

Respectfully,

A handwritten signature in black ink, appearing to read "Marc S. Savitt", with a long horizontal flourish extending to the right.

Marc S. Savitt, President
National Association of Independent Housing Professionals (NAIHP)