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# Call for Action: 20% Down Payments Put the American Dream Out of Reach

1 message

Realtor Action Center <comments@realtoractioncenter.com>

Wed, May 18, 2011 at 12:13 PM

Reply-To: Realtor Action Center <comments@realtoractioncenter.com>

To: jphilip@jphilip.com



## Tell Congress: 20% Down Payments Put the American Dream Out of Reach

Could your clients afford a 20% down payment? Could you? Can you envision what your prospective client pool will look like if new regulations governing Qualified Residential Mortgages (QRM) take effect this year?

Neither can we. And neither can many elected officials in Congress who did not intend for these regulatory provisions to be so narrowly defined. We must continue our efforts to explain how detrimental the new QRM rules would be to the ongoing housing and lending crisis in America.

According to NAR Research, 60% of recent home buyers made less than a 20% down payment, and it would take 14 years for a typical person to save up a 20% down payment to buy a median-priced home.

[Please contact Congress today](#) and ask them to make it clear to the regulators that this proposed regulation was not their legislative intent and to instead implement a more reasonable Qualified Residential Mortgage (QRM) that will keep credit-worthy buyers in the market and able to acquire a loan.



Message Subject: Subject: Ask Federal Regulators to follow Dodd-Frank intent of QRM exemption provisions

Dear *[Decision Maker]*,

As both a constituent and one of a million members of the National

## Take Action!

### Instructions:

[Click here to take action](#) on this issue.

### Tell-a-Friend:

[Tell your friends to help](#) stop these new QRM rules from taking effect

### What's at Stake:

NAR believes Congress intended to create a broad QRM exemption. Evidence shows that responsible lending standards and ensuring a borrower's ability to repay have the greatest impact on reducing lender risk, not high down payments. Proposals that require high down payments will drive more borrowers to FHA, increase costs for borrowers by raising interest rates and fees, and effectively price many eligible borrowers out of the housing market.

A provision in the Dodd-Frank Act requires that financial institutions retain 5% of the risk on loans they securitize. The purpose is to discourage excessive risk taking and create strong incentives for responsible lending and borrowing.

Association of REALTORS, I believe that our economic recovery depends largely on a housing market recovery. Implementing a new rule requiring a twenty percent or higher down-payments would stop the housing recovery in its tracks.

That is what will happen if the restrictions in the proposed Qualified Residential Mortgage (QRM) regulation are implemented. It is my belief that this was not your legislative intent.

I am writing to ask you as my Senators and Representative to sign on to a letter being circulated by your colleagues, Senators Landrieu (D-LA), Isakson (R-GA), and Hagan (D-NC). In the House, Representatives Campbell (R-CA), Sherman (D-CA), Perlmutter (D-CO), Capito (R-WV), Moore (D-WI), Miller (R-CA), Himes (D-CT) and Posey (R-FL) are circulating a similar letter. Both letters ask Federal Regulators to follow the intent and language of the QRM exemption provision contained in the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The proposed QRM rule would create an enormous down-payment requirement and reduce the availability of affordable mortgages for qualified consumers. Few borrowers would be able to meet these requirements and those that do would be forced to pay much higher rates and fees for safe loans did not meet the exceedingly narrow QRM criteria.

Congress included the QRM to exempt safe, well-underwritten mortgages from the risk retention requirements. Well-underwritten loans, regardless of down payment, were not the cause of the mortgage crisis.

I urge you to insist that regulators to follow congressional intent. Please sign the Landrieu-Hagan-Isakson letter or the Sherman-Campbell letter today to help keep the American Dream of Home Ownership in reach.

Sincerely,  
J. Philip Faranda  
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Briarcliff Manor NY 10510-1536



Congress came up with the QRM concept to ensure that banks were only putting up 'safe' loans for securitization. NAR supports this goal, but in practice, regulators have come up with draconian parameters for what constitutes a QRM.

NAR feels this will not only affect buyers, but would also affect the ability of home owners to sell their homes, since there would be fewer buyers who could qualify for home ownership.

NAR wants federal regulators to honor Congressional intent by crafting a QRM exemption that includes a wide variety of traditionally safe, well underwritten products such as 30-, 15-, and 10-year fixed-rate loans; 7-1 and 5-1 ARMs; and loans with down payments in the 5% to 20% range with PMI, where required, and with other features found in low-risk loans such as no prepayment penalties or balloon payments.

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