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Legislative Update Report

Industry News

Home Affordable Refinance Program Extended. Homeowners have received another year to refinance their loans under the Home Affordable Refinance Program. The program, which was originally scheduled to end June 10, 2010 but now expires June 30, 2011, allows borrowers who owe up to 25 percent more than their homes are worth to refinance at lower interest rates. The Treasury Department reports that, so far, the program has helped about 220,000 homeowners with loans owned or guaranteed by Fannie Mae and Freddie Mac, far less than the projected four to five million.

Guidance for Currently FHA-Approved Loan Correspondents Regarding Renewal of FHA Lender Approval for 2010. HUD is seeking to eliminate FHA approval for loan correspondents. Because this rulemaking is still in process and a final rule has not yet been issued, FHA is extending the deadline for the submission of audited financial statements for loan correspondents seeking renewal of their FHA lender approval for 2010. For loan correspondents with a fiscal year end of December 31, and that would ordinarily be required to renew their FHA approval by March 31, 2010, HUD is providing these lenders with an additional 30 days in which to submit their audited financial statements. These loan correspondents must continue to comply with existing requirements for the submission of their Annual Certifications and renewal fees, but will be given until April 30, 2010, to submit audited financial statements. Again, the deadline for the submission of the Annual Certification and renewal fee has not been changed. Loan correspondents that do not complete their renewal in accordance with the deadlines as specified above will no longer be FHA-approved as of the effective date of the final rule that follows the November 30, 2009, proposed rule.

Fannie Mae 2011 LTV Calculation Change. Fannie Mae has announced a new methodology for calculating loan-to-value ratios that will affect all mortgages or mortgage-backed securities submitted to the government-sponsored enterprise beginning Jan. 3, 2011. Loan-to-value ratios will be shortened to two decimal places and rounded up to the next whole percent. Although rounding rules indicate that a loan-to-value ratio of 96.01 percent should be rounded to 96 percent, Fannie Mae will round it to 97 percent. A article on the Mortgage Bankers website can be found at: http://www.mortgagebankers.org/Newsletters/MBA%20Newslink/Issues/Volume9Issue42_web

SAFE Mortgage Licensing Act: HUD Responsibilities Under the SAFE Act - Proposed Rule. The Secure and Fair Enforcement Mortgage Licensing Act of 2008 (SAFE Act) was enacted into law on July 30, 2008, as part of the Housing and Economic Recovery Act of 2008. This new law directs States to adopt licensing and registration requirements for loan originators that meet the minimum standards specified in the SAFE Act, in lieu of HUD establishing and maintaining a licensing system for loan originators. The complete rule may be found at: <http://edocket.access.gpo.gov/2009/pdf/E9-29708.pdf>

Senator Dodd Releases New Draft Regulatory Reform Bill. On March 16, Senate Banking Committee Chairman Christopher Dodd released an updated version of his comprehensive regulatory reform legislation. The revised bill, titled the "Restoring American Financial Stability Act of 2010," incorporates aspects from both Chairman Dodd's original draft. Among many other notable provisions, the Bill would create a consumer financial protection bureau within the Federal Reserve Board that would have the authority to write regulations and enforce federal laws governing consumer financial products and services. For a comprehensive summary of the Bill, please see:

<http://banking.senate.gov/public/files/FinancialReformSummary231510FINAL.pdf>

For over 1,300 pages of reading material, a complete copy of the Bill can be found at:

http://banking.senate.gov/public/files/ChairmansMark31510AYO10306_xmlFinancialReformLegislationBill.pdf

OCC See Problems with Dodd's Bill. The Office of the Comptroller of the Currency warns that the proposal makes federal preemption more difficult and more expensive to invoke. It calls for a return to the Barnett standard, whereby preemption is considered on a case-by-case basis; but new language could actually undermine that process, according to OCC. A copy of the article can be found at:

<http://www.financial-planning.com/news/occ-dodd-obama-2666216-1.html>

Federal Banking Regulators Revise the Final Community Reinvestment Act Q&As. On March 11, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision published in the *Federal Register* final amendments to their final "Interagency Questions and Answers Regarding Community Reinvestment" (Q&As). The new Q&A addresses how financial institutions that provide community services targeted to low- and moderate-income individuals can determine whether such services are "appropriately targeted" when actual income information for a geographic area is unavailable. The revised Q&As explain under what terms institutions may claim *pro rata* shares of mixed-income affordable housing projects as community development projects. For a copy of the final rule, please see <http://edocket.access.gpo.gov/2010/pdf/2010-4903.pdf>