Mortgage Bankers Association Update

September 16, 2021

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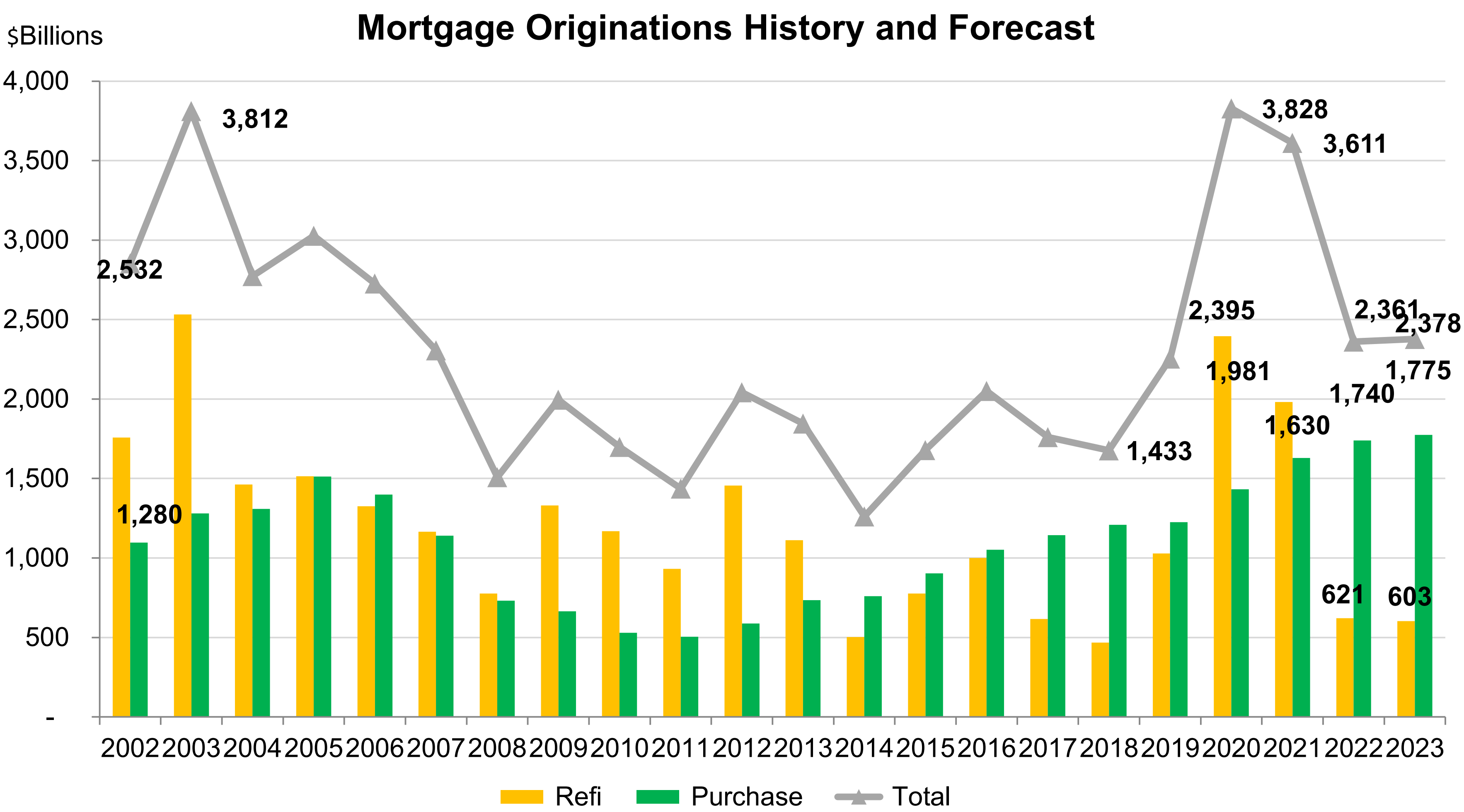
MBA Economic and Market Forecast

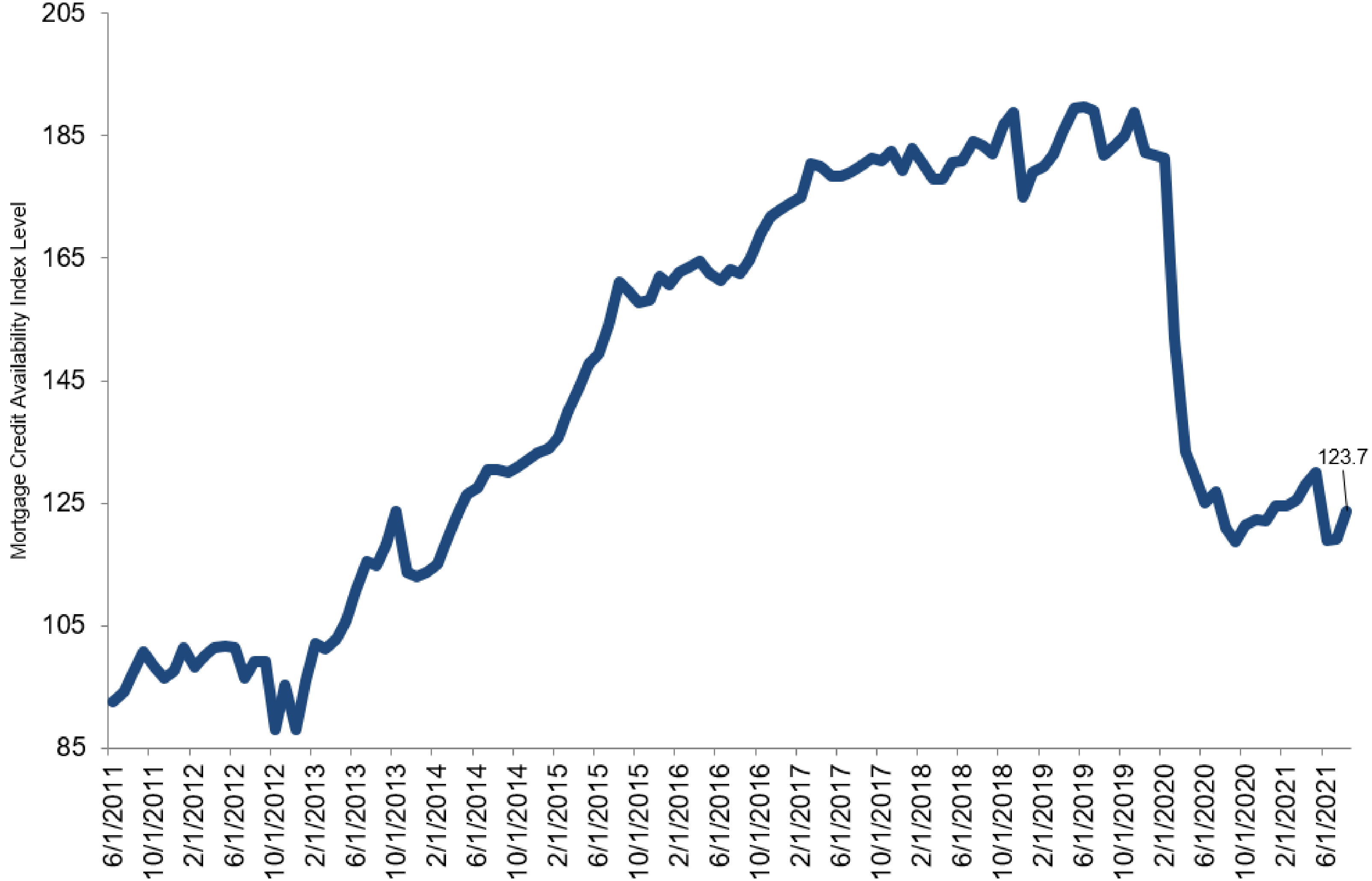
	2020	2021	2022	2023
GDP Growth (%)	-2.3	6.2	3.0	1.7
Inflation/CPI (%)	1.2	4.9	2.4	2.1
Unemployment (%)	8.1	5.5	4.1	3.9
Fed Funds (%)	0.625	1.375	2.375	3.125
10-Year Treasury	0.9	1.8	2.5	3.0
30-year Mortgage	2.8	3.3	4.2	4.8
New Home Sales (000s)	828	819	1,007	1,135
Existing Home Sales (000s)	5,678	6,133	6,512	6,784
Purchase Originations ($B)	1,433	1,630	1,740	1,775
Refi Originations ($B)	2,395	1,981	621	603
Total Originations ($B)	3,828	3,611	2,361	2,378
Refinance Share (%)	59	53	25	24

Source: MBA Forecast 2021

Forecast Purchase Growth, Refinancing to Slow



Mortgage Credit Availability Index, Index Level by Month
(NSA, 3/2012=100)

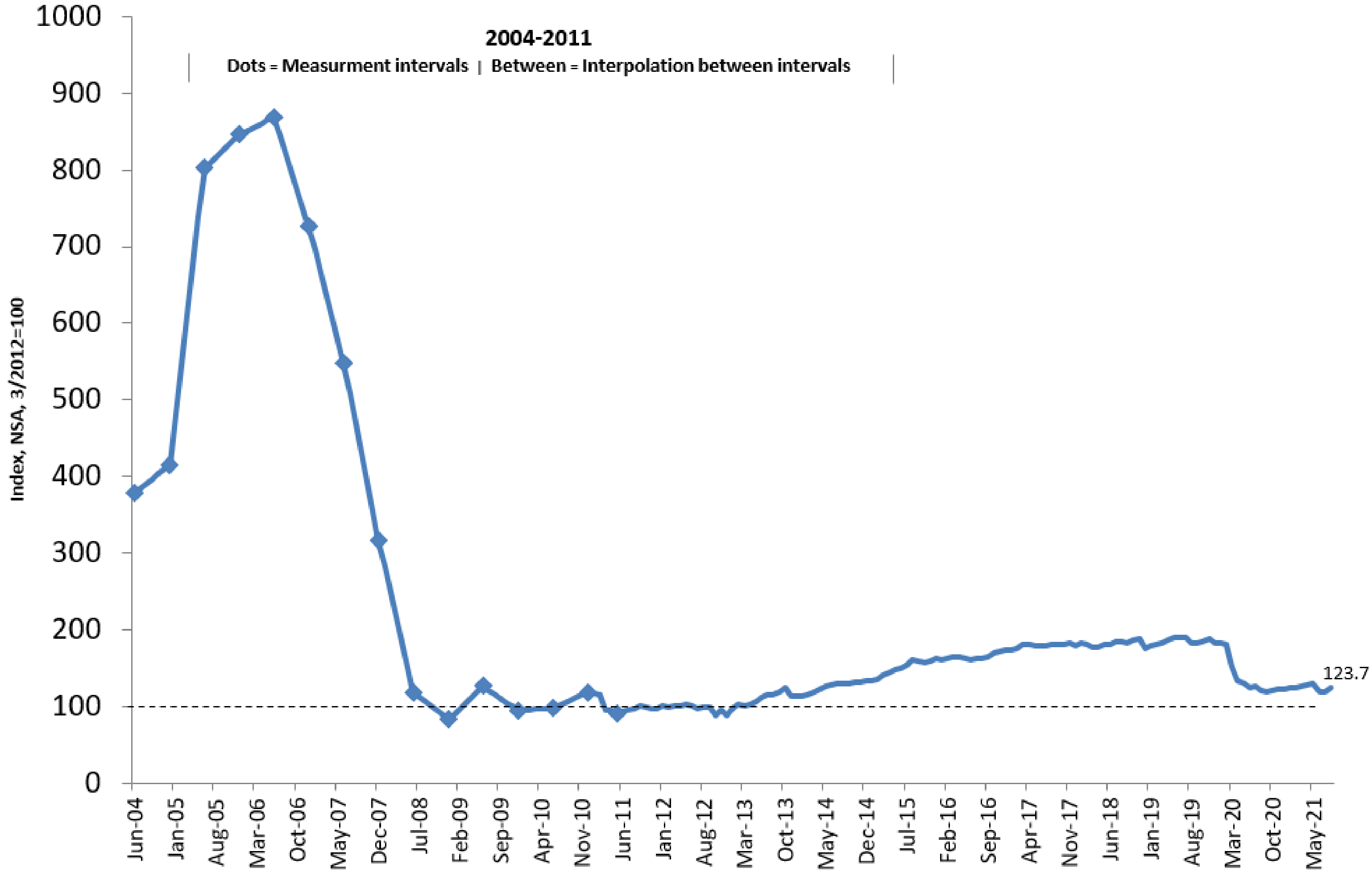


Source: Mortgage Bankers Association; Powered by Ellie Mae's AllRegs® Market Clarity®

MBA

Mortgage Credit Availability Index (NSA, 3/2012 = 100)

Expanded Historical Series



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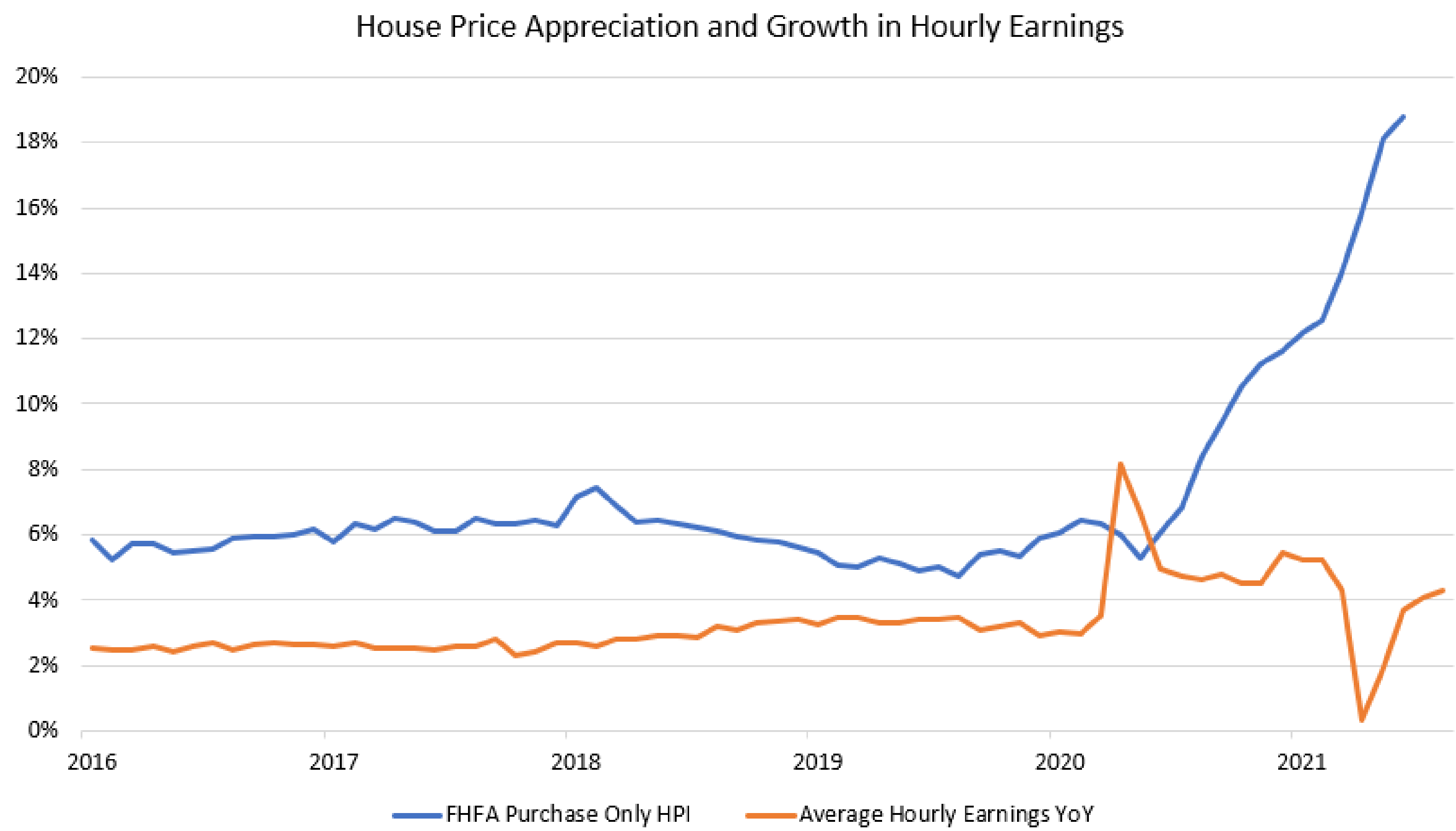
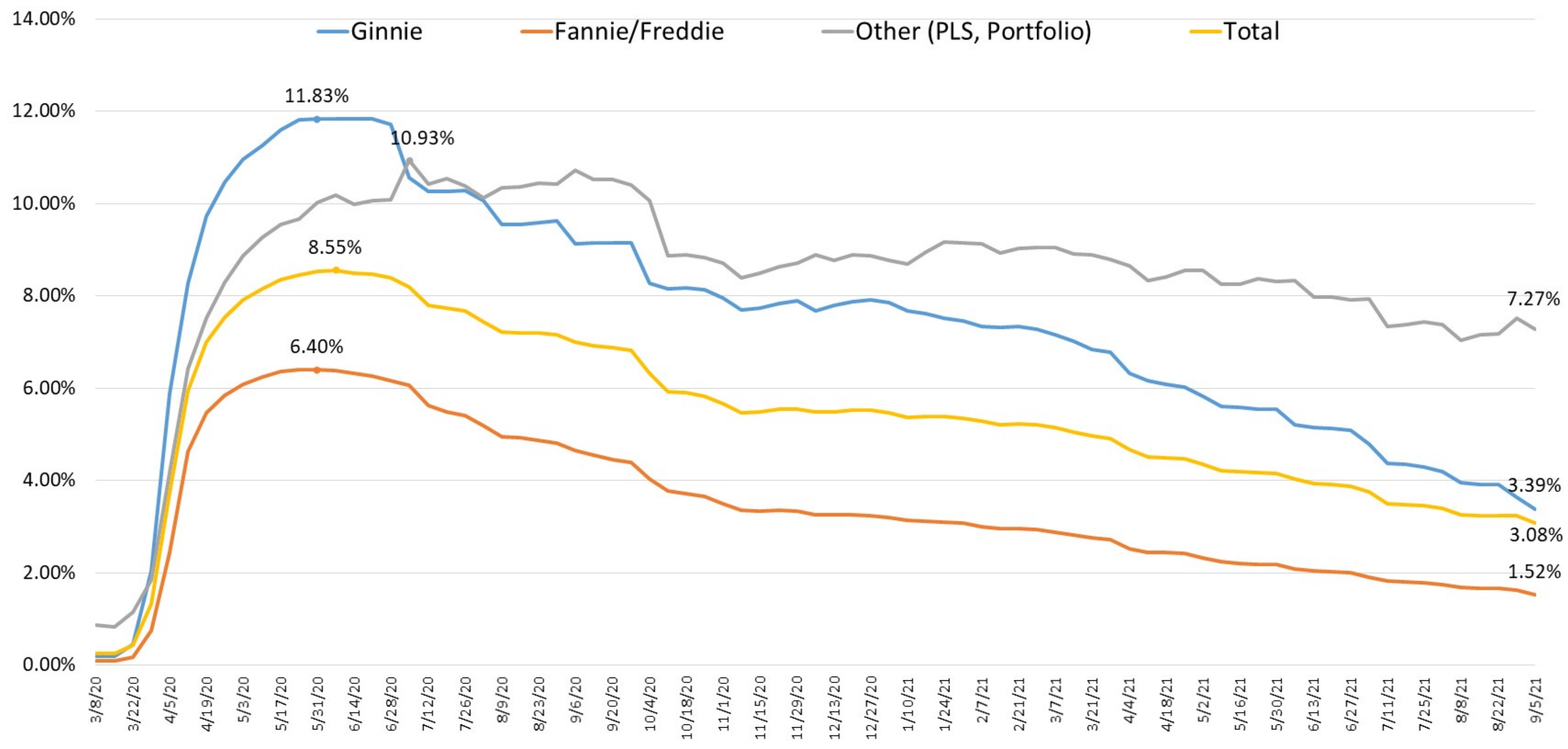


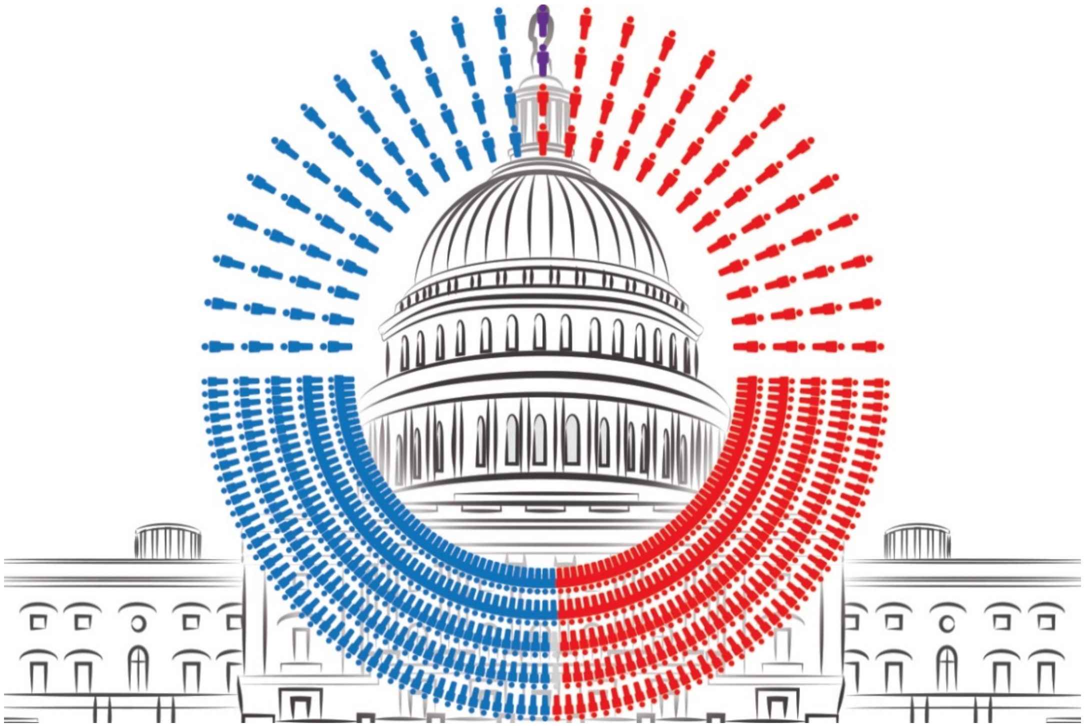
Source: FHFA and MBA Research

Percent of Servicing Portfolio Volume in Forbearance by Investor Type over Time



Capital Hill Political State of Play

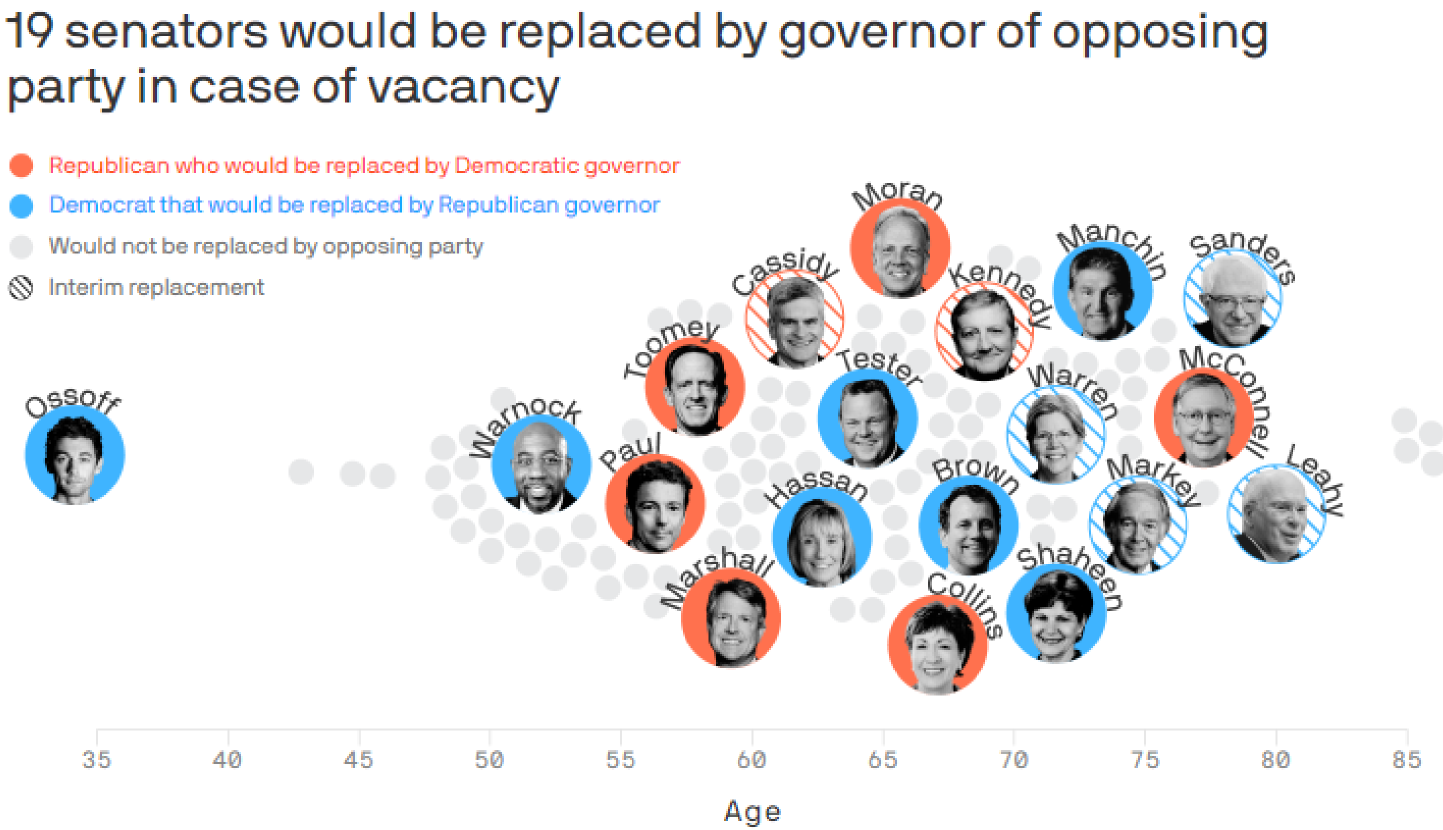
The 117th Congress - Historically Small Democratic Majorities



US Senate
Democrats: 50
Republicans: 50

US House
Democrats: 220
Republicans: 212
Vacancies: 3

Anything Could Happen (…and sometimes does)



Source: Axios

Federal and State Policy Environment

Big Picture Policy Issues and Themes Amidst Narrow Majorities

- $3.5 Trillion Budget – May include other Administration priorities:
  - American Jobs Plan - $2.3 trillion over 8 years
  - American Families Plan - $1.8 trillion over 10 years
  - Climate Change - Reduce carbon emissions by 50%; 80% of power from emissions-free sources by 2030

- $1.2 Trillion Bipartisan Infrastructure Package – $550 billion in new spending; rest of the package uses previously approved spending

- Social Justice/Equity Agenda
  - Voting Rights
  - Criminal Justice Reform

- Immigration Reform

- Other challenges/issues:
  - Confirmation of Key Administration Nominees
  - Debt Ceiling Deadline in October
  - COVID, natural disasters, foreign policy…..

Capitol Hill Issues for Themes Effecting Industry

Preserving Tax Benefits for Real Estate Finance Amidst Rewrite of Tax Law

- <u>Minimum Book Tax & Mortgage Servicing Rights:</u> **Maintain** the deferred tax treatment of income related to mortgage servicing rights (MSRs)
- <u>Section 199A Pass-Through Deduction:</u> **Oppose** any efforts to reduce or repeal the 20-percent deduction for qualified business income (QBI) under Section 199A
- <u>Increase in Capital Gains Rate:</u> **Maintain** that capital gains continue to receive tax treatment that is distinct from ordinary income, which serves as a key stimulant to investment in a variety of capital-intensive industries, especially real estate
- <u>Tax Treatment of Gain on Sale of Home:</u> **Maintain** the current law provision, but if the current tax code must change, allow homeowners to continue to exclude a portion of the gains on the sale of a home;
- <u>Housing Access/Affordability Provisions:</u> **Support** legislative proposals that reduce down payment barriers for first-time, first-generation, and minority homebuyers, and **support** tax credit programs that increase affordable housing supply and benefit individual buyers and the housing market, such as the proposed Neighborhood Home Investment Tax Credit, a proposed Middle Income Housing Tax Credit (MIHTC), and expanding and enhancing the Low-Income Housing Tax Credit (LIHTC) program

Enacting Nationwide Remote Online Notarization (RON) – *SECURE Act*

- Nebraska's law would <u>not</u> be preempted

Forbearance, Eviction Moratoria and Rental/Homeowner Assistance Provisions

Housing Finance Reform

- Great unfinished business not included in Dodd-Frank

Opposing GSE and Government Lending Program Loan Fee Increases

- Proposal to extend GSE G-Fees for 10 years in infrastructure bill

Major Regulatory Issues and Themes

Consumer Financial Protection Bureau

- Expect expansion of consumer protections and ramped-up enforcement of existing rules
- Expect increased focus on single and multifamily post forbearance policies
- Expect greater fair lending examination and enforcement

GSE Policy

- Supreme Court decision led to immediate changes in FHFA leadership and its policy direction for GSEs; MBA was ready with “Day 1 Priorities”
- Victory – elimination of the adverse market refinance fee
- MBA advocating for changes to revised Senior Preferred Stock Purchase Agreements (PSPAs) 7% product caps on second homes and investment properties
- Expect renewed support for GSE affordable housing efforts
- Expect “pause” on efforts to quickly end the conservatorship

HUD/FHA

- Fair Lending: Proposed revision of Disparate Impact rule
- Treatment of Student Loan Debt: Victory– alignment w/other federal regulators in DTI calculation

Affordable Housing

- Major priority for Biden Administration – 100,000 additional affordable homes for homeowners and renters over the next three years; emphasis on the lower and middle segments of the market

Prudential Supervision of Financial Services

- Expect continued efforts to impose prudential requirements on IMBs and other nonbanks
- Risk of asymmetrical state implementation and misalignment with federal standards

Major State Policy Issues and Themes

Remote Online Notarization (RON)

- Nearly 40 states have approved RON laws consistent with the MBA-ALTA model state law and the Uniform Law Commission's Revised Uniform Law on Notarial Acts (RULONA)
- www.MBA.org/RON

State Licensing Flexibility – Remote Work

- MBA model state law and regulation available at www.MBA.org/LicensingFlexibility
- Pushing for remote work guidance and "no action" letters through end of 2022
- *Extension needed as Nebraska DBF guidance sunsets on January 1st!*

State Community Reinvestment Act (CRA) Requirements for nonbanks

- Square peg in round hole
- Massachusetts law since 2008; New York and Illinois passed laws in 2021
- HMDA data show IMB lending to LMI borrowers in Massachusetts no better than in states w/o CRA mandate
- MBA resource center with state data sheets: www.MBA.org/StateCRA

State Data Privacy Laws

- MBA model amendment to obtain Gramm-Leach-Bliley entity-level exemption
- Virginia and Colorado laws in 2021; Legislation failed in Washington

Want to Get Involved?

Here's How

MAA

MORTGAGE ACTION ALLIANCE

- The easiest way to become an industry advocate is to join the Mortgage Action Alliance.

- MAA is and will always be 3 things:
  - FREE
  - FAST (to join and take action)
  - EASY (to communicate with your elected representatives)

To join MAA or renew your membership:

- **Visit mba.org/maa; or**
- **Text MAA to the number 50457**

ANDROID APP ON Google play

Available on the App Store

How to Get Involved

Join Mortgage Action Alliance (MAA)

MAA MORTGAGE ACTION ALLIANCE

- MBA's free grassroots advocacy network
  - Stay informed on key issues impacting your business
  - Participate in "calls-to-action" to contact your elected officials
  - To join, text "MAA" to 50457
  - Run a MAA enrollment campaign at your company or within your professional network!

Learn about MORPAC, MBA's Political Action Committee (PAC)

MORPAC MORTGAGE BANKERS ASSOCIATION POLITICAL ACTION COMMITTEE

- Only federal PAC that represents entire real estate finance industry
  - Helps to elect/re-elect candidates to Congress through voluntary PAC contributions (eligibility requirements)
  - Authorize your company to sponsor a campaign

Attend the National Advocacy Conference (NAC)

- Connect with association leaders from across the country to discuss key issues at the State and Federal levels
  - Learn how to engage with your elected officials and then attend pre-scheduled meetings with them and their staff on Capitol Hill
  - April 26-27, 2022

Thank You!
Questions?

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