

Subcommittee on Financial Institutions and Consumer Credit

Testimony by Janis Grady

Representing Nevada Association of Mortgage Professionals

Chairman, Congressman Heck and other esteemed Members of the House Financial Services Committee, thank you for allowing me the time to address you concerning the mortgage related challenges that are facing us here in Nevada.

My name is Janis Grady, I am the Past-President, and current Treasurer/Director of the Nevada Association of Mortgage Professionals, whom I represent at this meeting. I am also a member of the Nevada Mortgage Investment and Mortgage Lending Advisory Council. I have been a part of the Nevada Mortgage Industry for over 21-years so I have experienced both the good and bad times with my colleagues and the residents of our State.

Some of the many reasons that Nevadan's seem to be falling behind on their mortgage obligations, besides strategic foreclosures, and not being able to qualify to purchase a new home are as follows:

- 1) Lost Jobs or decreased income by taking a lesser skilled employment opportunity to "get by" for the time being
- 2) Property values that are more than 125% underwater in value...upwards of closer to 200% in some cases
- 3) Temporary Bank modifications that only provided a short time of relief that are now coming due and increasing the monthly payment to an amount higher than what they had started with originally, prior to modification
- 4) Mortgage Qualifications for loans that have tightened to the point that many no longer qualify due to employment gap technicalities, hidden reserves, past derogatory credit challenges that have NO bearing on the quality of character of the client at this time, etc. (Side note for you...I will come up with about 3-4 more restrictive parameters that hinder our loan process, but this is a great start)

Loss of workforce and jobs:

SITUATION: When the Nevada real estate market was at its peak, there were over 2200 mortgage Broker shops in the State of Nevada. Today we have 161-licensed mortgage Brokerages and 80 mortgage Bankers, with only 2100 licensed mortgage agents at the present , which is down from nearly 20,000 mortgage agents at the peak levels. This is a loss of over 2000 small businesses from the mortgage industry alone in the State of Nevada. Each of these 2000+ now closed small businesses would have been renting office space, paying utilities, employing W-2 wage earners, utilizing their surrounding businesses for title and escrow needs, courier runs, restaurants, supplies, etc...ALL making a major contribution to the local economy.

SOLUTION: Utilize the existing in state mortgage Brokers and Bankers to help execute state programs such as the Mortgage Second Chance program that Congressman Heck is backing, do not limit which brokers can originate for this program. Also, with the new HARP 2.0 program guidelines ready to be released, having these potential projects handled from within the state utilizing local mortgage agents, would provide an extremely needed boost to the local mortgage Brokerages and Banking firms along with their mortgage agents.

Appraisal Concerns:

SITUATION: With the implementation of HVCC (Home Valuation Code of Conduct) which mandates that all appraisal orders be placed and communicated only with the associated AMC's (Appraisal Management Companies), which are mostly owned by the banks. Many appraisers have had to settle for less than a full amount of nominal appraisal fee, with an exorbitant amount of the fee passed along to the AMC for their review and disbursement of the physical

appraisal report. Many AMC's have increased their fee that they charge for an appraisal report to try to accommodate for the loss of income passed along to the entity performing the work, but then these higher fees are simply charged to the client for the same work that was done prior to HVCC. In short, everyone that is in requirement of appraisal services is now being charged additional monies to pay for an unneeded AMC. With the mandates/legalities of HVCC, market price for goods/services is no longer upheld and it's been proven that there is now MORE corruptive practices and appraisal fraud, than prior to the HVCC laws taking effect.

SOLUTION: When utilizing the Nevada Grant funds to help get Nevadans back into homes, use the local appraisers directly and not through AMC's. Implement a rotation system similar to that used by the VA for VA Appraisals, this way the work is spread around fairly to all licensed Nevada Appraisers. Let's not overlook that VA mortgage loans are 100% financed in nearly 90% of the transactions, and the level of default is 4-times less than the average defaults of Ginnie Mae, Fannie Mae and Freddie Mac. They have been utilizing their own internal AMC type of system for years, and 100% of the collected appraisal fee is distributed to the entity doing the work.

Comparable Home Evaluations:

SITUATION: At the insistence of banks and investing entities, appraisals have been completed by comparing dollar for dollar, well cared for properties to Foreclosures and REO properties that require major improvements just to be considered livable in some cases. It does not make rationale sense for a property that is complete, full of upgrades and that has been well cared for, be even remotely compared to a house that has been foreclosed and destroyed by the previous tenants with ruined carpet, holes in walls, missing appliances, destroyed counter tops and permanent fixtures such as bathroom sinks/showers, etc.

SOLUTION: Require through the Real Estate Department that all appraisals done in the State of Nevada and other highly distraught areas, be given the proper credit for any/all upgrades and home improvements. This can be accomplished by comparing like properties, even when looking at the current ownership of the subject property.

In-State Originators vs. Out of State Originators and lending initiative:

SITUATION: Of the remaining 1930 mortgage agents licensed in the State of Nevada, 756 (nearly 40%) of these mortgage agents are employed and working from outside of the State of Nevada. There is no moral obligation for these out of state mortgage agents to perform work in a timely fashion and at the best interests of the resident/client that lives in the State of Nevada. They don't work/live/congregate in the area in which they are lending, so they are less likely to be as concerned as a resident/mortgage agent that lives in the area they are lending. This also removes potential income from the local mortgage agent and only strengthens the burden that has plagued our local economy from the loss of employment income. These are dollars that could be used in the local economy by the local mortgage agents helping their constituents and feeding our local economy with even more employment opportunities.

While the out of state broker/bankers must have brick and mortar with a local Qualified Employee to represent their presence in that State of Nevada, these 500 Mortgage Agents are not required to have a local presence. They can simply complete a simplified online Continuing Education program and again keep income from flowing from within our own State by utilizing the current licensing loop holes that are available to mortgage companies for their out of state licensing requirements.

SOLUTION: Require all Mortgage Agents that reside outside the State of Nevada, but would like to do business within the State of Nevada in the way of mortgage originations, take their Nevada specific licensing education from within the borders of the State of Nevada. Every Nevada originator or mortgage agent must take a 3-hour class on Nevada State Origination practices and Nevada State Law. Have these out of state mortgage agents take these classes from within the State of Nevada so that it would at least provide income to some part of our Nevada economy in the way of tourism and

the local economy in general. The state licensing test for Nevada be taken in-state and not through an outside testing source that covers multiple states at a general testing center.

First Look Initiative for Primary Residence Purchaser's

SITUATION: During the 2004-2007 real estate boom in Nevada, there were investors coming into this state to make a quick buck, which contributed to the driving force of increasing local home prices to the point of where home prices were out of reach for nearly all local residents. Over 50% of the monthly purchases for the state at this time are cash purchases. This has resulted in less than one loan closing per month for each of the mortgage agents licensed in the State of Nevada. This has decimated the many local mortgage agents and Broker/Banker firms by ultimately being eliminated by the "cash investors". Sellers are accepting cash offers over clients coming to the transaction with financing consideration and the ability to do so easily prior to the scheduled Close of Escrow. This situation was partially remedied when Fannie Mae REOs had a clause added to their MLS listings, making all investor offers for a particular property wait 30-days before accepting an offer from an investor, thus giving the locals a chance to put in their offers and get them accepted as a Primary Residence.

SOLUTION: Until the housing market has turned around, in order to prevent this State from becoming a heavy "rental" property State, require that all REOs and short sales listed on MLS be open only to Owner Occupied offers for the first 30-days. Only after it has been on MLS for 30-days can it be then opened to investors. Instituting an "out of state" tax for an entity purchasing real estate in Nevada for the purpose of investment property real estate...

Down Payment Assistance Program availability:

SITUATION: Many Brokers and Banker are unaware of Down Payment Assistance Programs along with State Assistance for mortgage Down Payments. Even with money for these programs running out early, there are still buyers that could have used these program but don't as their Mortgage Agent or Realtor are not aware of the programs that are available to them.

SOLUTION: Make it a requirement that all Mortgage Agent Continuing Education include information on "Down payment Assistance Programs" so they are apprised and have knowledge on any assistance programs. For existing Mortgage Agents that have already completed their required Continuing Education credits, have those folks attend a class with a 3-month deadline to get all of these existing agents knowledgeable on the subject of Down Payment Assistance.

Put in place a Master Servicer for the Nevada Bond Program that helps residents that are first time home-buyers with down payment assistance in the way of a small \$4500 2nd mortgage loan at a very low and affordable interest rate and term, for down payment assistance. With a Master Servicer in place, this would free up the burden of the State to collect and maintain these payment receipts and open up this program to any qualified mortgage lending institution. At this time there is NO Master Servicer since Bank of America pulled out of the servicing of these loans, and the state has been left with the burden of collecting and therefore not able to take on additional qualified mortgage lending institutions that would like the ability to offer this lending program.

Strategic Foreclosures:

SITUATION: There are attorneys advertising on TV pushing for people to do strategic foreclosures.

SOLUTION: Get the Bar of Nevada to investigate with these attorneys and demand they stop supporting fraud and dishonesty

