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**STATEMENT OF SCOTT STERN, CEO,  
LENDERS ONE/NATIONAL ALLIANCE OF INDEPENDENT MORTGAGE  
BANKERS**

**RE:           --Mortgage Reform and Anti Predatory Lending Act of 2007 (Frank  
                  Bill)  
              --Escrow, Appraisal, and Mortgage Servicing Improvements Act  
                  (Kanjorski Bill)**

On behalf of the nations independent mortgage bankers, we commend Chairman Frank on the introduction of the “Mortgage Reform and Anti Predatory Lending Act of 2007, and Chairman Kanjorski on the Escrow, Appraisal, and Mortgage Servicing Improvements Act (H.R. 3837). Lenders One/NAIMB supports the key provisions of these bills, and will work with the Congress on certain changes to ensure timely passage.

The mortgage finance system is suffering today above all from a crisis of confidence – lack of confidence by borrowers that they will get a fair loan, lack of confidence by investors that that the risks of mortgage securities are accurately and fully disclosed, and lack of confidence in the accuracy of appraisals. Chairman Frank and Kanjorski’s bills take important steps to shore up confidence in the mortgage system through increased disclosure, uniform lending guidelines, minimum standards for mortgage originators, and enhanced appraisal and servicing protections. While these bills are not perfect, we believe that the long term vitality of the mortgage market requires a more transparent relationship with borrowers and investors which the Frank and Kanjorski bills would achieve.

**NAIMB**



## **Independent Mortgage Bankers Support:**

- **State or federal licensing and registration for all mortgage originators, including depository institutions.** We commend Chairman Frank for not creating an agency or fiduciary relationship between originators and borrowers. Licensing requirements provide consumers with the confidence that training and loan officer standards will be uniform regardless of whether the borrower visits a broker, mortgage banker, or bank loan officer.
- **Ability to Repay Standard.** The bill would require creditors to make a reasonable and good faith determination based on verified and documented information that, at the time the loan is consummated, the consumer has a reasonable ability to repay the loan (including all applicable taxes, insurance, and assessments). We believe that no lender should make a loan to a borrower who does not have a reasonable ability to repay the loan. Our lenders strive to meet this standard and believe it should apply to the lending industry as a whole. We recognize that Chairman Frank has sought a middle ground by rejecting a subjective “suitability standard” in favor of a well defined ability to pay standard, which is a commonly accepted underwriting standard.
- **Accountability of Securitizers.** Securitization has proven to be an effective engine for attracting significant investment into the mortgage markets. However, failure to have accurate information about mortgage pools has resulted in ill-informed investor decisions. The Frank bill addresses this by creating a safe harbor from securitizer liability for failure to meet the ability to repay standard. The safe harbor applies to securitizers who do reasonable due diligence of the mortgage pools they securitize. There is no liability for investors in loan pools. Lenders One/NAIMB believes that the Frank bill strikes a reasonable balance between the interests of investors and the interest in ensuring accountability throughout the mortgage process. Lenders One/NAIMB believes the goals of the bill would be strengthened by adding that the due diligence should be conducted by an independent third party.
- **Mandatory Escrow For Certain Loans.** Consumers with high cost loans, those with low down payments or high debt to income ratios can find themselves strapped to meet payments for taxes and insurance without proper planning. Moreover, Fannie Mae “considers it a predatory practice when a lender rarely, or never, establishes escrows for blemished credit borrowers.” For these borrowers, the Kanjorski bill would require a mandatory escrow for taxes and hazard insurance. Lenders One/NAIMB believes that this provision would reduce delinquencies and defaults, especially for subprime borrowers.
- **Appraisal Reforms:** Accurate, unbiased appraisals are critical to ensuring that home values are accurately reflected in mortgage securities. Inflated home values also lead borrowers to borrow more than the home may be worth, leading to increased defaults in a flat or declining housing market. The Kanjorski bill addresses these problems by improving appraisal standards, including:

- written appraisals based on physical inspection for high cost mortgages,
- providing the borrower with a copy of the appraisal, and
- the creation of federal appraisal independence standards to guard against undue pressure on appraisers

The National Alliance of Independent Mortgage Bankers (NAIMB) is the voice of the independent mortgage lender on regulation, legislation and government activity. The group was founded by Lenders One, the nation's leading mortgage cooperative and collectively the 9th largest mortgage originator in the country. The 100 member companies of Lenders One/NAIMB constitute the nation's largest alliance of independent mortgage lenders, representing over 6,000 employees serving every state. Lenders One originates \$40 billion in mortgage loans to make homeownership possible in communities throughout the United States.