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**What Can Consumers Expect to See as a Result of New Regulation**

We have all been witness to a major financial meltdown in the mortgage industry, one which toppled many long-standing institutions, large and small, from major investment houses on Wall Street to some of the nation’s largest national banks and countless mortgage brokers. The Financial Reform Act of 2010 ushered in new regulations, oversight and a new consumer watch dog known as the Consumer Financial Protection Bureau or “CFPB”. Of all the sweeping changes, the Dodd-Frank Wall Street Reform and Consumer Protection Act probably embodies the most in the way of regulatory change that works its way down to the average individual buying a home. It became the law of the land in 2010 and is named for the major sponsors of the legislation, Senator Christopher Dodd (D-CT) and U.S. Representative Barney Frank (D-MA). Hundreds of pages of rules and regulations are still wending their way through the financial services industry and more still to come. Here are some the reforms that directly impacted consumers already:

* The Secure and Fair Enforcement Act, also known as S.A.F.E. now mandates the education, testing, finger-printing and licensing of all non-depository mortgage lenders and the finger-printing and registration of mortgage lenders employed by banks and credit unions.
* Strict adherence to established mortgage underwriting guidelines related to qualifying. No longer a subjective decision or one filled with exceptions and waivers, underwriting has now returned to the rule book. Credit history, debt-to-income ratios, employment status and the reasonable expectation that the borrower is capable of paying the mortgage over the long haul, including other associated debt with their verifiable income is the required methodology. This is part of the formula for what is termed a “Qualified Mortgage”, or “QM” meaning it meets the new lending standards established by the legislation.
* Programs that are no longer acceptable because they do not meet the definition established for QM are: interest-only loans (except home equity lines of credit), negative amortization (except reverse mortgages for eligible seniors), balloon payments, terms exceeding 30 years, “no-doc” loans and something the regulators are still wrestling around with, loans where points and closing costs exceed 3% of the loan principal.

What’s coming down the road is additional simplification of the mortgage loan and closing documents. This seems to have been a real challenge because it is the second time in three years that attempts have been made to provide a more concise, consumer-friendly set of early application disclosures that roll up neatly into the final settlement documents. The last revision, which groups costs together into various “boxes” on what is known as the “Good Faith Estimate” turned out to be so complicated that most lenders had to resort to their own internal, itemized spreadsheets to enable buyers to understand what they were paying for. So, the “Good Faith Estimate”, which has been around since the 1970s in one form or another, is going away I’m told, in favor of something called the “Loan Estimate” or “LE” which returns to an itemization type presentation of the costs and settlement items. It is also supposed to be incorporating another standard form, the “Truth-in-Lending” disclosure. Combining two complicated disclosure forms into one is supposed to somehow create a single, less-complicated form. We can only hope.

A more significant change, in my opinion, has to do with the proposal to lower the debt-to-income ratio as of January 1st, for a “Qualified Mortgage” to 43%. Presently, it is at least three percentage points higher than that. The combination of a lower qualifying ratio and rising interest rates cannot make things easier for buyers to qualify. It does, however, make it less likely that they cannot afford their new mortgage payments.

 This information has been provided by the Mortgage Bankers and Brokers Association of New Hampshire (MBBA-NH) in conjunction with the New Hampshire Union Leader. Any questions about the content should be directed to the MBBA-NH at 6 Garvins Falls Road, Suite 106, Concord, NH 03301, e-mail at info@mbba-nh.org, website mbba-nh.org. Article supplied by: Barbara Cunningham, VP, Senior Residential Loan Officer, St. Mary’s Bank NMLS #161310.