

**Meeting Between Federal Reserve Board Staff and
Representatives of the Mortgage Bankers Association (MBA)
September 30, 2010**

Participants: James Michaels, Kathleen Ryan, Paul Mondor, Anne Zorc, Glenn Canner, and William Treacy (Federal Reserve Board)

John Courson, Stephen O'Connor, Kenneth Markison, Joshua Denney and Michael Fratantoni (MBA)

Summary: Staff of the Federal Reserve Board met with representatives of MBA to discuss implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). During the meeting, representatives shared MBA's *8 Principles for Implementing Financial Regulatory Reform*, broad principles which the MBA believes are essential to ensuring a proper balance between necessary reforms and preserving an efficient financial system. As part of this discussion, MBA staff expressed concerns that the Federal Reserve achieve the right balance in defining the terms "qualified mortgage" and "qualified residential mortgage," and suggested that the Federal Reserve Board should limit its interim rulemaking under the appraiser independence provisions of the Dodd-Frank Act to aspects that must be implemented immediately and leave other provisions to be addressed through public notice and comment procedures. MBA representatives also urged Federal Reserve staff to delay the Federal Reserve Board's recently published final rule regulating loan originator compensation and instead address all loan originator compensation issues through a single, comprehensive rulemaking. MBA's representatives also discussed the Federal Reserve Board's review of Regulation C under the Home Mortgage Disclosure Act ("HMDA") and amendments to HMDA contained in the Dodd-Frank Act, and recommended that Federal Reserve staff make use of certain existing industry definitions and standards for new HMDA data elements. A copy of MBA's hand-out from the meeting is attached.

Attachment

8 Principles for Implementing Financial Regulatory Reform

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 will usher in the most significant financial restructuring since the Great Depression. The 2,315 page bill creates new regulatory agencies, expands several existing ones, and calls for hundreds of new rules that will add up to tens of thousands of pages. This undertaking will require a massive amount of resources and time over the coming years.

Many of these new rules will be developed jointly by multiple agencies. Scores of the rules will need to be synchronized with other simultaneous or sequential rulemakings. It is essential that this process unfold in a way that balances necessary reforms with the need for preserving an efficient financial system.

The Mortgage Bankers Association (MBA) believes the following principles are essential to striking this balance. MBA believes that the new rules should:

1. **Seek comprehensive, coordinated solutions** — Regulations in key areas, such as disclosure reform, should be accomplished in as comprehensive and coordinated a manner as possible to avoid repeated and redundant systems changes and training costs that will ultimately fall upon borrowers.
2. **Foster certainty in the marketplace** — Regulations should be clear and certain so that lenders can plan business strategies to offer sustainable financial products without fearing an unduly shifting regulatory environment. Bright line standards and safe harbors must be clearly defined to encourage broad participation in the market.
3. **Increase transparency** — Simplification and harmonization of consumer disclosures, with a goal of greater transparency for the borrower, should be a top priority. New regulations should empower borrowers to better make better informed choices. Greater transparency will also increase competition and reduce costs for borrowers.
4. **Balance the ability of the private marketplace to control lending with the application of new regulation** — New regulations should be created where necessary, but regulations should utilize private solutions where they are practical and applicable.
5. **Ensure market liquidity** — Changes that unnecessarily add costs or other burdens to the real estate financing process will reduce liquidity and increase costs for borrowers.
6. **Appropriately tailor solutions to the current market environment** — Real estate markets today remain fragile. Implementation deadlines should be mindful of stresses on the market and the time needed for complex operational changes.
7. **Maximize competition to lower costs** — Borrowers should benefit from an array of sustainable financing choices. Regulation should be designed to promote a level playing field between lenders and foster greater competition.
8. **Promote uniformity** — Efficient markets rely on consistent and predictable standards. Rules that differ markedly across geographic boundaries or other jurisdictions can lead to higher costs for borrowers.