



## FROM LORI RODGERS

In March we printed and mailed the 2009 edition of Bert Rodgers Schools *Florida Mortgage Brokering/Lending 14 Hour Professional Continuing Education Course*. In May the Florida Legislature passed CS/CS/SB 2226. The bill's effective date is July 1, 2009. This new legislation will significantly impact the Florida mortgage profession. Among the many changes, education and licensing requirements will change.

Nothing has changed for the August 31, 2009 renewal deadline for mortgage broker licensees. Beginning with your NEXT renewal, you will need to comply with the new statutory requirements.

A copy of the engrossed bill can be reached through this web link:

[http://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?FileName=\\_s2226er.DOCX&DocumentType=Bill&BillNumber=2226&Session=2009](http://www.myfloridahouse.gov/Sections/Documents/loaddoc.aspx?FileName=_s2226er.DOCX&DocumentType=Bill&BillNumber=2226&Session=2009)

We recognize the 2008 and 2009 changes to federal laws have significantly affected your profession. It is likely that more changes will come as our nation navigates through the challenge of a seriously weakened economy and housing market. Below is a summary of the most recent federal law changes.

## 2008-2009 MORTGAGE INDUSTRY CURRENT EVENTS

### FEDERAL LAWS/LOAN LIMITS

The Federal Housing Finance Agency (FHFA) became the new agency with oversight over Fannie Mae, Freddie Mac, and the 12 Federal Reserve banks with the passage of the Housing and Economic Recovery Act of 2008 (HERA), signed by former President Bush on July 30, 2008. The FHFA was formed when HERA merged the Office of Federal Housing Enterprise Oversight, the Federal Housing Finance Board, and the U.S. Department of Housing and Urban Development government-sponsored enterprise mission team.

The Economic Stimulus Act of 2008 (ESA), signed by former President Bush on February 13, 2008, increased the conventional conforming loan limit for one-unit properties from \$417,000 to \$729,750 in certain high-cost areas in the continental United States. This applied retroactively to loans that were originated between July 1, 2007, and then expired December 31, 2008.

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA). Loan limits for mortgages originated in 2009 are set under the provisions of ARRA. For one-unit properties in Florida, the conventional maximum mortgage is \$417,000 except for the following counties: Monroe - \$729,750; Broward, Miami-Dade, and Palm Beach - \$423,750; Collier - \$531,250; and Manatee and Sarasota - \$442,500.

The Federal Housing Administration's (FHA's) floor and ceiling loan limits for 2009 under ARRA rely on the higher of HERA or ESA. Under HERA, ESA, and ARRA, the FHA national floor limits remain set at 65% of the Freddie Mac national conforming limit. The floor is \$271,050 ( $\$417,000 \times 65\%$ ) for a one-unit property. Any area where the limits exceed the floor is known as a high cost area. The ESA national ceiling is binding under ARRA for 2009. The formula to compute the maximum mortgage for a one-unit property is 175% of the Freddie Mac national conforming limit, or \$729,750 ( $\$417,000 \times 175\%$ ). For areas where the higher of the ESA-determined loan limits for 2008 and the HERA-determined loan limits for 2009 is in between the national floor and ceiling, the limit is the higher of those two limits for any loan for which credit is approved in the calendar year 2009 and will remain in effect until December 31, 2009. For example, in Sarasota county, the new FHA maximum mortgage limit for one-unit is \$442,500; the limit is \$423,750 for Palm Beach county. Under ARRA,

the FHA Home Equity Conversion Mortgage (reverse mortgage) will increase the maximum mortgage limit for a one-unit property from \$417,000 to \$625,500. FHA Mortgagee Letter 2009-07 explains this increase in loan limits.

The Department of Veterans Affairs (VA) loan limit is unaffected by ARRA legislation. Therefore, the maximum loan amount for a veteran without a down payment on a one-unit property remains at \$417,000.

ARRA includes a tax credit of up to \$8,000 for qualified first-time home buyers purchasing a principal residence on or after January 1, 2009, and before December 1, 2009. Unlike the tax credit enacted in 2008, the new credit does not have to be repaid as long as the home remains the buyer's main residence for 36 months after the purchase date. For the purpose of this credit, a first-time home buyer is someone who has not owned a home in the past 3 years.

The Homeowner Affordability and Stability Plan (HASP), signed by President Obama on February 17, 2009, is designed to help borrowers in 2 ways. Borrowers with high debt-to-income ratios or who are at risk of foreclosure can restructure their current loan through a loan modification process. Borrowers with an Agency-secured loan (Fannie Mae or Freddie Mac loan) who are current on their monthly mortgage payments will be eligible to refinance into a new Agency-secured loan. This is true even for borrowers whose home value has declined to the point they may be ineligible to refinance into a standard refinance program and take advantage of today's lower interest rates. On March 4, 2009, Fannie Mae issued Announcements 09-04 and 09-05 to provide guidance to lenders on their Home Affordable Refinance and Modification Programs. These programs:

- significantly relax mortgage insurance coverage requirements to assist borrowers who have experienced home price declines
- offer loan-to-values (LTVs) up to 105%
- provide other underwriting flexibilities

On March 4, 2009, Freddie Mac came out with their Relief Refinance Mortgage program that is intended to help borrowers who are making timely mortgage payments, but have been unable to refinance due to declining property values and tightening credit terms by offering:

- expanded LTV/TLTV/HTLTV (total loan-to-value and home equity total loan-to-value) ratios
- no post settlement delivery fees, except for the Market Condition delivery fee
- relief from standard mortgage insurance requirements
- simplified appraisal and borrower eligibility requirements

To participate in the program, the borrower's first-lien conventional mortgage must be currently owned or securitized by Freddie Mac. In addition, borrowers must be current on their monthly mortgage payments with no 30-day or more late payments in the most recent 12 months.

## **APPRAISALS**

On Dec. 23, 2008, the FHFA announced the details of the Home Valuation Code of Conduct (HVCC) that will go into effect on May 1, 2009. The Code establishes a uniform set of appraisal guidelines to govern all loans sold to Fannie Mae and Freddie Mac. The lender or any third party specifically authorized by the lender including, but not limited to, appraisal companies and appraisal management companies (AMCs), shall be responsible for selecting, retaining, and providing for payment of all compensation to the appraiser. The lender will not accept any appraisal report completed by an appraiser selected, retained, or compensated in any manner by any other third party including mortgage brokers and real estate agents. The lender may accept an appraisal prepared by an appraiser for a different lender, including where a mortgage broker has facilitated the mortgage application (but not ordered the appraisal), provided the lender obtains written assurances that such other lender follows this Code of Conduct in connection with the loan being originated; and determines that such appraisal conforms to its requirements for appraisals and is otherwise acceptable.