

## Press Release of U.S. Senator Barbara Boxer

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### **Menendez, Boxer Reintroduce Bill to Help Responsible Homeowners Refinance**

*The Responsible Homeowner Refinancing Act of 2013 Would Support Housing Recovery*

**WASHINGTON, D.C.** -- U.S. Senators Robert Menendez (D-NJ) and Barbara Boxer (D-CA) today reintroduced legislation to help millions of responsible homeowners refinance at lower rates and save thousands of dollars each year. The Senators originally introduced this legislation in the 112th Congress.

**"We need to bring much-needed relief now to hard working, responsible homeowners who are struggling to keep up with their high interest rate loans -- including thousands in New Jersey whom I have heard from,"** said Senator Menendez. **"We need to do this before interest rates go up again. It's time that Congress finally put families first and give homeowners who have played by the rules a fair chance to refinance at today's low rates. Not only will this bill help put thousands of dollars back into the pockets of New Jersey families who are trying to pay their bills and keep their homes, but it does so at no cost to taxpayers and will stimulate our economy. Making these reforms should be, as my Republican colleague Senator Corker said last year, a 'No-Brainer', and I urge my colleagues to do so immediately."**

**"This bill is a win-win-win,"** Senator Boxer said. **"Homeowners will have more money in their pockets, Fannie and Freddie will see fewer foreclosures, and the housing market and economy will continue building momentum. That's why the Menendez-Boxer bill has such broad support from industry and consumer groups. We should take action on this common-sense plan immediately while interest rates remain low so American families can realize major savings."**

The current average interest rate for a 30-year mortgage is 3.53 percent – a rate that remains near its historical low. Nevertheless, there are nearly 12 million homeowners with loans guaranteed by Fannie Mae and Freddie Mac who could benefit from refinancing, many of whom cannot refinance at a lower rate because of unnecessary red tape and high fees. That red tape has limited competition among banks, so borrowers – even those who are able to refinance – end up paying higher interest rates than they would if they were able to shop around.

Under the Administration's current refinancing program (HARP), an average homeowner saves about \$2,500 per year. This bill would increase the amount they could save and expand refinancing opportunities for millions of eligible borrowers.

S. 249, The Responsible Homeowner Refinancing Act of 2013 removes the barriers preventing these Fannie Mae and Freddie Mac borrowers from refinancing their loans at the lowest rate possible. The bill would:

- Ensure that streamlined refinancing is available and consistent for all Fannie and Freddie borrowers, regardless of whether they are underwater or not

- Reduce up-front fees on refinances
- Eliminate appraisal costs for all borrowers •
- Remove additional barriers to competition
- Extend HARP by one year, to allow eligible borrowers more time to access the program.

The legislation is supported by a broad array of stakeholders representing borrowers, lenders, and other experts, including the Mortgage Bankers Association, Housing Policy Council of the Financial Services Roundtable, National Association of Realtors, National Association of Home Builders, Amherst Securities, Americans for Financial Reform, and the Center for Responsible Lending.

The Responsible Homeowner Refinancing Act of 2013 is also cosponsored by: Jack Reed (D-RI), Charles Schumer (D-NY), Jeff Merkley (D-OR), Kay Hagan (D-NC), Mark Begich (D-AK), Richard Blumenthal (D-CT), Benjamin J. Cardin (D-MD), Dick Durbin (D-IL), Dianne Feinstein (D-CA), Al Franken (D-MN), Kristen Gillibrand (D-NY), Mary Landrieu (D-LA), Frank R. Lautenberg (D-NJ), Patrick Leahy (D-VT), Carl Levin (D-MI), Bernard Sanders (I-VT), Jeanne Shaheen (D-NH), Debbie Stabenow (D-MI), Sheldon Whitehouse (D-RI), and Ron Wyden (D-OR).

**A Full Summary of S. 249, The Responsible Homeowner Refinancing Act of 2013 is below:**

There are nearly 12 million responsible borrowers in loans guaranteed by Fannie Mae and Freddie Mac who could benefit from refinancing at today's low interest rates. Although recent changes to the Home Affordable Refinance Program (HARP) were a step in the right direction, they left in place barriers that will keep millions of borrowers trapped in higher interest loans. The Responsible Homeowner Refinancing Act will build on these changes and further expand opportunities to access historically low interest rates for borrowers who make their mortgage payments on time.

To remove the barriers preventing borrowers who are making their payments on time from refinancing their loans at the lowest rates possible, the bill would:

**• Remove barriers to competition**

Under HARP, lenders who want to compete with the borrower's current lender for that borrower's business continue to face stricter underwriting criteria and greater risk that the GSEs will force them to buy that loan back should the borrower default. These different standards have posed a barrier to competition, resulting in higher prices and less favorable terms for borrowers. A recent study by Amherst Securities Group found that HARP borrowers are paying more than half a percentage point more than borrowers with other types of loans.

This bill would direct the GSEs to require the same streamlined underwriting and associated representations and warranties for new servicers as they do for current servicers, leveling the playing field and unlocking competition between banks for borrowers' business.

**• Guarantee equal access to streamlined refinancing for GSE borrowers**

When FHFA recently expanded HARP eligibility to underwater borrowers, they continued to require lenders to distinguish between borrowers with less than 20 percent equity and greater than 20 percent equity in ways that left higher equity borrowers with greater costs and administrative burden. This meant that borrowers who have been paying down their mortgages over many years, building equity in their homes, were locked out of the program.

This bill would ensure that GSE borrowers who are making their payments have the same access to simple, low-cost refinances, regardless of the level of equity they have in their home. This is not only a simple matter of fairness- it also makes good business sense. Providing a single set of rules for all lenders and GSE borrowers will simplify the process for all involved, allowing all lenders to offer a single, streamlined program to GSE borrowers who

- **Reduce up-front fees on refinances**

Although the GSEs lowered up-front fees for HARP loans with less than 20 percent equity, they left them in place for those with more equity. This created the economically indefensible situation in which borrowers with significant equity in their homes could face steeper costs in refinancing than borrowers with no equity whatsoever. So borrowers who pose less risk to the GSEs are in fact paying a higher risk premium. These additional fees can be as high as two percent of the loan amount, or an extra \$4,000 on a \$200,000 loan. For borrowers struggling to keep up with their payments, this is an additional cost they simply cannot afford.

This bill prohibits the GSEs from charging up-front fees to refinance any loan they already guarantee, which is also in the best financial interests of the GSEs and taxpayers.

- **Eliminate appraisal costs for all borrowers**

GSEs use Automated Valuation Models to determine home values without the need for slow and costly manual appraisals. However, borrowers who happen to live in communities without a significant number of recent home sales often cannot use these models and are forced instead to pay hundreds of dollars for a manual appraisal for a HARP refinance.

This bill requires the GSEs to develop additional streamlined alternatives to manual appraisals, eliminating a significant barrier and reducing cost and time for borrowers and lenders alike, especially in rural areas. Again, this just makes good economic sense. Taxpayers are already on the hook for these loans and will benefit from providing the borrowers with an easier path to refinancing.

- **Further streamline refinancing application process**

HARP already restricts participation to borrowers who are current on their loans and have demonstrated a commitment to making their payments on time – even in the face of loss of income or employment. There is thus no reason to require proof of employment or income for these loans, particularly given that the GSEs already retain the risk, and that risk will only go down with lower interest rates.

So this bill eliminates employment and income verification requirements, further streamlining the refinancing process and removing unnecessary costs and hassle for lenders and borrowers alike. • Save taxpayers money According to the CBO, the bill pays for itself through reduced default rates on GSE loans, which saves taxpayers money.

- **Extend the HARP Program through 2014.**

With HARP set to expire on December 31, 2013, the bill would extend the program an additional year through 2014. This will give responsible homeowners a one year extension to take advantage of today's historically low rates.

**List of Supporters of the Responsible Homeowner Refinancing Act:**  
Americans for Financial Reform  
Amherst Securities

Asian Real Estate Association of America  
California Association of Mortgage Professionals  
California Association of Realtors  
California Reinvestment Coalition  
Center for American Progress  
Center for New York City Neighborhoods  
Center for Responsible Lending  
Community Associations Institute  
Consumer Action  
Consumer Federation of America  
Courage Campaign  
Dr. Chris Mayer, Columbia Business School  
Dr. Mark Zandi, Moody's Analytics  
Empire Justice Center  
Empowering and Strengthening Ohio's People  
Housing Policy Council of the Financial Services Roundtable  
Leadership Conference on Civil and Human Rights  
Leading Builders of America  
Mortgage Bankers Association  
National Association of Consumer Advocates  
National Association of Counties (NACo)  
National Association of Hispanic Real Estate Professionals  
National Association of Home Builders  
National Association of Mortgage Brokers  
National Association of Real Estate Brokers  
National Association of Realtors  
National Community Reinvestment Coalition  
National Consumer Law Center (on behalf of its low-income clients)  
National People's Action  
National Urban League  
Neighborhood Economic Development Advocacy Project  
New Jersey Citizen Action  
New Jersey Public Interest Research Group  
Small Business Majority  
American Land Title Association  
US Conference of Mayors

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