The Dodd-Frank Act and Its Impact

Meagan Telega

Real Estate

How will this affect your Mortgage?

- New financial reform legislation includes provisions to **prevent lenders from offering mortgages borrowers can't afford or understand.**
- Assure that consumers are offered and receive residential mortgage loans on terms that reasonably **reflect their ability to repay the loans** and that are understandable and not unfair, deceptive or abusive.
- Prepayment penalties are banned on nonqualified mortgages. This ban will make it easier for homeowners to refinance out of tricky mortgages. It probably also will make such mortgages less profitable to lenders.
- Essentially, if a loan offers the possibility of negative amortization, the lender must tell the borrower that getting the loan is a bad idea. A first-time borrower won't be able to get an option ARM without first getting housing counseling from a HUD-certified agency.

HIGHLIGHTS OF THE LEGISLATION

> The legislation says its purpose is "to assure that consumers are offered and receive residential mortgage loans on terms that reasonably reflect their ability to repay the loans and that are understandable and not unfair, deceptive or abusive."

What is it?

Financial Reform on your Mortgage

The legislation imposes restrictions on loans that don't meet the definition of "qualified mortgages."
The legislation gives favorable treatment to plain-vanilla "qualified mortgages." Lenders can sell qualified mortgages to investors with fewer strings attached. That gives lenders an incentive to give consumers mortgages without tricks and traps

A qualified mortgage:
- Doesn't have a balloon payment.
- Is fully amortizing -- that is, it's not interest-only or an option ARM.
- Has taxes, insurance and assessments included in the monthly payments.
- Meets debt-to-income standards.
- Can't be longer than 30 years.
- Has reasonable points and fees.

The legislation says points and fees generally shouldn't exceed
3 percent of the loan amount. There are exceptions for smaller mortgages.

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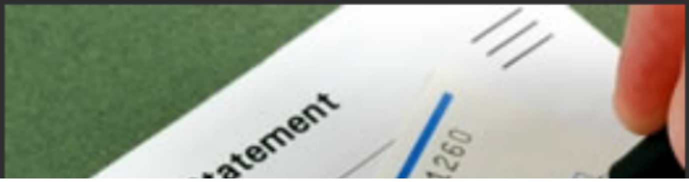

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HIGHLIGHTS OF THE LEGISLATION

Consumer Protections with Authority and Independence: Creates a new independent watchdog, housed at the Federal Reserve, with the authority to ensure American consumers get the clear, accurate information they need to shop for mortgages, credit cards, and other financial products, and protect them from hidden fees, abusive terms, and deceptive practices.

Ends Too Big to Fail Bailouts: Ends the possibility that taxpayers will be asked to write a check to bail out financial firms that threaten the economy by: creating a safe way to liquidate failed financial firms; imposing tough new capital and leverage requirements that make it undesirable to get too big; updating the Fed's authority to allow system-wide support but no longer prop up individual firms; and establishing rigorous standards and supervision to protect the economy and American consumers, investors and businesses.

Advance Warning System: Creates a council to identify and address systemic risks posed by large, complex companies, products, and activities before they threaten the stability of the economy.

Transparency & Accountability for Exotic Instruments: Eliminates loopholes that allow risky and abusive practices to go on unnoticed and unregulated.
Executive Compensation and Corporate Governance: Provides shareholders with a say on pay and corporate affairs with a non-binding vote on executive compensation and golden parachutes.
Protects Investors: Provides tough new rules for transparency and accountability for credit rating agencies to protect investors and businesses.
Enforces Regulations on the Books: Strengthens oversight and empowers regulators to aggressively pursue financial fraud

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What is it?

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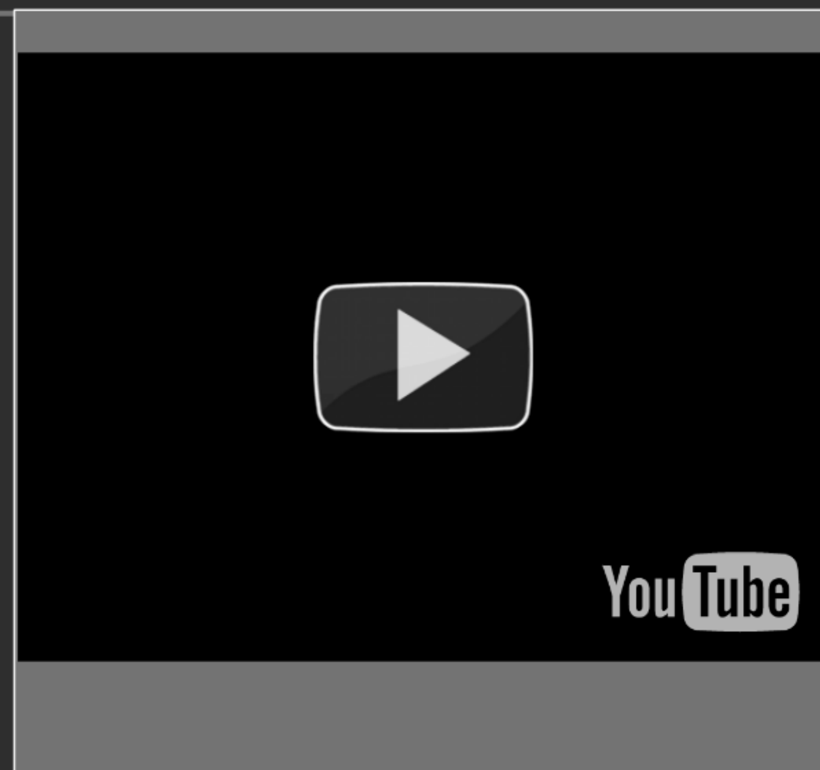
The Dodd-Frank Act (**fully known as the Dodd-Frank Wall Street Reform and Consumer Protection Act**) is a United States federal law that places regulation of the financial industry in the hands of the government. The legislation, enacted in July 2010, aims to prevent another significant financial crisis by creating new financial regulatory processes that enforce transparency and accountability while implementing rules for consumer protection



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Mortgage Statement
Statement Date:
Payment Due Date:
Interest Rate:
1260
$
Dollars

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