

Recommend to Congress December 2008

Problem: The majority of borrowers can not refinance their Conforming loan because appraised values do not support the current Fannie Mae / Freddie Mac loan to value (LTV) guidelines.

Solution: Develop guidelines that allow borrowers with perfect mortgage history to refinance their current mortgage without an appraisal if they have perfect payment history.

Needed Program: FHA has Streamline refinance and VA has Interest Rate Reduction Refinance Loan (IRRRL) that allows borrowers to refinance into lower interest rates without requiring an appraisal. Conforming loans do not have a Refinance option that does not consider current appraised value as the case with Streamline Refinance or IRRRL loans.

We need to develop a payment history refinance loan (PHRL) that does not require an appraisal. This will allow the mortgage borrowers that have made their payments on time to lower their monthly payment or convert from an Adjustable Rate Mortgage (ARM) to a Fixed Rate.

Benefits:

- 1) Provides more money for consumers to help stimulate the economy
- 2) Rewards borrowers that are conscientious about meeting their financial obligations
- 3) Maintains property values
- 4) Evidence that congress is doing something for the middle class
- 5) Helps the financial industry keep active portfolios
- 6) Helps state and counties budgets by collecting refinance taxes