

# Principles for Restoring Stability to the Nation's Housing Finance System

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The nation's housing finance system is at a historic crossroad. As policymakers debate options to restore vitality, integrity and stability to the secondary mortgage market, including an appropriate role for the federal government in supporting homeownership and rental housing, it is essential that care is taken in weighing the choices ahead. The policy decisions in this area will have profound implications for the nation's economic recovery and for generations of future homebuyers and renters, with broad ranging social and economic consequences.

The undersigned organizations, representing a variety of stakeholders in single- and multifamily housing, believe the following principles should help guide efforts to restore and repair the nation's housing finance system:

- A stable housing sector is essential for a robust economic recovery and long-term prosperity. Housing, whether through homeownership or rental, promotes social and economic benefits that warrant it being a national policy priority.
- Private capital must be the dominant source of mortgage credit, and it must also bear the primary risk in any future housing finance system.
- Some continuing and predictable government role is necessary to promote investor confidence and ensure liquidity and stability for homeownership and rental housing.
- Changes to the mortgage finance system must be done carefully and over a reasonable transition period to ensure that a reliable mortgage finance system is in place to function effectively in the years ahead.

Private investment capital is critical for a robust and healthy mortgage marketplace, and the current government-dominated mortgage system is neither sustainable nor desirable. However, investors must be confident that they understand the risks and rules that can affect them. As policymakers move forward with Dodd-Frank Act rulemakings and similar regulatory efforts, it will be important to provide clarity and certainty to the marketplace in a manner that promotes recovery and growth. As such, the future mortgage system should seek to ensure a workable balance between sound underwriting principles, consumer protection and the need for responsible innovation and risk-taking.

As critical as it is to attract private money to the mortgage markets, an appropriate and clearly defined role for the government is essential to preserving financial stability. Government support through various insurance and guarantee mechanisms is especially important to facilitate long-term fixed-rate mortgages, affordable financing for

low- and moderate-income borrowers, and financing rental housing in all parts of the country including rural areas. While the goal should be to move toward a largely private secondary market, the private and public sectors should work as partners in creating a variety of financing options to ensure the availability of safe, stable, and affordable financing.

Accomplishing all of these goals will require an on-going dialogue between policymakers and other key stakeholders, including industry and consumer groups. Our organizations stand committed to being part of this process.

**American Bankers Association  
American Financial Services Association  
Community Mortgage Banking Project  
CRE Finance Council  
Housing Policy Council of the Financial Services Roundtable  
Independent Community Bankers of America  
Manufactured Housing Institute  
Mortgage Bankers Association  
Mortgage Insurance Companies of America  
National Apartment Association  
National Association of Home Builders  
National Association of Realtors  
National Council of State Housing Agencies  
National Multi Housing Council  
Real Estate Roundtable  
Securities Industry and Financial Markets Association**