

1 SENATE JOINT MEMORIAL 14

2 **50TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2011**

3 INTRODUCED BY

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10 A JOINT MEMORIAL

11 ENCOURAGING MORTGAGE LENDING REGULATORS TO REASSESS AND AMEND
12 THEIR CREDIT POLICIES TO ALLOW MORE QUALIFIED HOMEBUYERS TO
13 OBTAIN MORTGAGE FINANCING.

14
15 WHEREAS, despite record-low interest rates, many well-
16 qualified borrowers in New Mexico are finding it difficult to
17 obtain home mortgages or refinance their home mortgages; and

18 WHEREAS, creditworthy small business owners and those who
19 want to purchase investor properties have encountered extreme
20 difficulties in obtaining home mortgages; and

21 WHEREAS, federal mortgage lending regulators, including
22 the board of governors of the federal reserve system, the
23 federal housing administration, Fannie Mae, Freddie Mac and the
24 United States department of veterans affairs, have amended their
25 loan origination and underwriting policies as a necessary

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1 response to the recent mortgage crisis; and

2 WHEREAS, many ethical, knowledgeable and seasoned loan
3 professionals are prohibited from originating good, sensible
4 loans to well-qualified borrowers because of restrictive
5 federal lending regulations and guidelines; and

6 WHEREAS, a few years ago, most potential borrowers were
7 able to qualify for loans having loan-to-value ratios even
8 higher than one hundred percent and with lower credit scores;
9 now, origination and underwriting policies have gone to the
10 opposite extreme where it is very difficult to qualify without
11 excellent credit; and

12 WHEREAS, tighter underwriting standards, increased credit
13 score requirements and stricter appraisal standards have
14 resulted in excessively tight credit policies that are having
15 negative impacts on home sales and refinancing; and

16 WHEREAS, an estimated sixty percent of all borrowers in
17 the United States with a thirty-year fixed-rate loan could
18 lower their interest rate by more than one percent given
19 current interest rates; however, due to stricter loan
20 standards, only thirty-eight percent of borrowers qualify for a
21 refinanced loan, which means that more than twenty-two percent
22 of those who are well-qualified and who could benefit from
23 refinancing are rejected; and

24 WHEREAS, if the national estimates are applied to New
25 Mexico, which has approximately two hundred eighty thousand

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1 mortgages, approximately thirty-six thousand seven hundred
2 homeowners in New Mexico cannot refinance due to stricter loan
3 standards; and

4 WHEREAS, if more New Mexico homeowners were able to
5 refinance their homes and could save an average of two hundred
6 dollars (\$200) a month by refinancing at a lower interest rate,
7 they would save up to seven million two hundred forty thousand
8 dollars (\$7,240,000) a month, or more than eighty-eight million
9 dollars (\$88,000,000) a year; and

10 WHEREAS, if more people in the United States were able to
11 refinance their mortgages, Americans would save more than
12 twenty billion dollars (\$20,000,000,000) a year; and

13 WHEREAS, if lending regulators would liberalize their
14 underwriting standards, returning them to a more reasonable and
15 normal level, millions of dollars would be injected into the
16 state economy and billions of dollars would be injected into
17 the national economy; and

18 WHEREAS, changing the unnecessarily tight underwriting
19 criteria not only would help well-qualified potential
20 borrowers, people who are willing to stay well within budget
21 and meet reasonable underwriting criteria, but also would
22 benefit the entire housing market and the economy as a whole;
23 and

24 WHEREAS, the federal housing administration, Fannie Mae,
25 Freddie Mac and the United States department of veterans

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1 affairs have a public mission to provide mortgage liquidity to
2 qualified homebuyers, including low- and moderate-income
3 families and first-time homebuyers; and

4 WHEREAS, this mission is being impaired by limits on the
5 availability of credit; and

6 WHEREAS, lending regulators should look for ways to
7 increase the availability of credit to a broader range of
8 qualified homebuyers; and

9 WHEREAS, reassessing and amending credit policies not only
10 would help individual, well-qualified potential borrowers but
11 also would benefit the entire housing market, which is
12 currently suffering from an excess supply of housing and unduly
13 tight underwriting criteria;

14 NOW, THEREFORE, BE IT RESOLVED BY THE LEGISLATURE OF THE
15 STATE OF NEW MEXICO that it respectfully encourage federal
16 mortgage lending regulators to reassess and amend their credit
17 policies so that more homeowners can refinance their current
18 home loans and more qualified homebuyers can obtain mortgage
19 financing; and

20 BE IT FURTHER RESOLVED that copies of this memorial be
21 transmitted to the board of governors of the federal reserve
22 system, the commissioner of the federal housing administration,
23 the chief executive officers of Fannie Mae and Freddie Mac, the
24 secretary of veterans affairs and the members of the New Mexico
25 congressional delegation.

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