



CAI Endorses Responsible Homeowner Refinancing Act of 2012

Community Associations Institute has endorsed S. 3085, the “Responsible Homeowner Refinancing Act of 2012.” The legislation, spearheaded in the U.S. Senate by Senators Robert Menendez (NJ) and Barbara Boxer (CA), will help more homeowners with mortgages greater than the value of their home refinance and lower monthly mortgage payments.

The housing and foreclosure crisis has left millions of American homeowners with homes that are worth less than the outstanding balance of their mortgage. To help these “underwater” homeowners refinance their mortgages, Fannie Mae and Freddie Mac created the Home Affordable Refinance Program, known as HARP.

The purpose of HARP is to allow underwater borrowers who are current on their mortgage obligations to refinance at today’s historically low interest rates. By refinancing, these families save thousands of dollars a year. These savings make it less likely that underwater borrowers will default on their mortgages, preventing foreclosures and saving taxpayer money.

In January, Fannie Mae and Freddie Mac announced additional changes to HARP to help even more borrowers refinance under the program. Since these changes were implemented in March, Fannie Mae and Freddie Mac report a significant increase in HARP refinancing.

As a consequence of the housing crisis, homeowners in community associations face higher housing costs as assessments are increased due to the foreclosure crisis and the number of neighbors who can no longer afford to pay assessments. These higher costs threaten the financial stability of households shouldering a disproportionate share of association costs. Allowing more households to refinance their mortgages at current, historically low interest rates will save these homeowners an average of \$2,500 per year.

S. 3085 will allow more households to refinance their mortgages by making targeted changes to the Home Affordable Refinance Program, or HARP. While HARP does not cover all mortgage loans, Fannie Mae and Freddie Mac currently own almost 70 percent of all mortgages in the nation.

Under current HARP guidelines, borrowers often do not have a choice in lender when refinancing their mortgage because HARP rules do not easily permit such a change. This means that borrowers are often charged higher interest rates and do not receive the greatest benefit from the refinance. S. 3085 will repeal this restriction in HARP and require lenders to compete against each other for refinance business. This competition will save borrowers an additional \$8,000 to \$10,000 over the life of their loan.

Writing to Senator Menendez, CAI noted that relying on fewer households to cover association costs “leads to more foreclosures, financially distressed associations, and a downward cycle in the community association market.” CAI told Senator Menendez that “S. 3085 will blunt the financial strain placed on these families, ensuring that more residents...have the capacity to meet their obligations to their neighbors.”

As part of our ongoing Mortgage Matters program, CAI is working to protect homeowners in community associations and to ensure access to fair and affordable mortgage products for all current and potential community association residents. You can follow our work and share your thoughts at

www.caimortgagematters.org. CAI will continue to monitor and participate in shaping changing federal housing policies to ensure the perspective of community associations is heard. This is one of the many benefits of belonging to an organization that works for you on the local, state and federal level.