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Mortgage regulation to require documentation

The Federal Reserve will now require all mortgage lenders to document borrowers' financials and verify their incomes. The change is an effort to ensure that borrowers can afford their monthly payments including and rate increases in the future. Speaking at a conference on Tuesday Federal Reserve chairman Ben Bernanke told listeners that "These new rules, which will apply to all lenders and not just banks, will address some of the problems that have surfaced in recent years in mortgage lending, especially high-cost mortgage lending."

The change comes amidst debates to the current lending culture in the United States. As the housing crisis continues to deepen Congress has been searching for a way to help homeowners avoid foreclosure and provide stability for the weakened market. The overall US economy has suffered as a result of the mortgage meltdown and subsequent credit crisis. Part of the change will also removed penalties for risky borrowers who pay off their mortgages early.

The White House however is not convinced that government intervention into the public housing sector is best for the country. President Bush has threatened to veto a current lending reform bill being debated in Congress that could put taxpayers on the line for \$300 billion for risky loans.

Treasury Secretary Henry Paulson said in a speech "Many of today's unusually high number of foreclosures are not preventable. Due to the lax credit and underwriting standards of the past years, some people took out mortgages they can't possibly afford and they will lose their homes. There is little public policymakers can, or should, do to compensate for untenable financial decisions."