HOUSING OPPORTUNITIES MOVE THE ECONOMY (HOME) FORWARD ACT OF 2014

Detailed Summary

- Establishes a new regulator, the National Mortgage Finance Administration (NMFA) that will oversee the Federal Home Loan Banks and the new Issuer, and establish the Mortgage Insurance Fund to provide a federal guarantee on eligible mortgages. The NMFA will determine the fees to be charged for insurance on securities backed by eligible mortgages, capital, and underwriting standards, as well as overseeing all guarantors to which the Issuer is exposed.

- Creates the Mortgage Securities Cooperative ("Issuer"), made up of lenders, which will issue mortgage–backed securities eligible to receive federal insurance. The Issuer will be governed on the basis of "one member, one vote," providing effective access to smaller lenders.

- Establishes mechanisms for bringing in private capital, in the form of the purchase of credit-linked notes, private guarantees, or capital of the Issuer. Requires that capital be held by the Issuer against any counterparty risk that results from guarantees.

- Provides that federal insurance will only be triggered for an individual security after both:
    1) The first loss credit risk notes or guarantees on that security have been exhausted; and
    2) All capital of the Issuer has been exhausted.

- This capital, combined with the first loss credit risk piece placed in the markets, would form the basis of a minimum of 5 percent private capital ahead of the government backstop.

- Gives the Mortgage Insurance Fund up to 7 years to reach a reserve of 1.5 percent of the outstanding principal balance of guaranteed securities and 12 years to reach 2.25 percent.

- Requires the multifamily lending programs of Freddie Mac and Fannie Mae to be transferred to the new Issuer.

- Ensures that eligible mortgages will be high quality issuance that generally qualifies for the “Qualified Mortgage” standard, but also allows rental properties that are currently eligible. Generally requires a minimum of 5 percent down payment, except for first-time home buyers, who may have down payments of 3.5 percent.

- Provides for a 5-year transition between the government-sponsored enterprises (GSEs) and the new Issuer, with Treasury authorized to extend by one year if necessary.

- Eliminates the housing goals, but provides a broad duty to serve the entire market, including underserved urban and rural markets.

- Provides for a “waterfall” for distribution of earnings in conservatorship to: Treasury Senior Preferred shares, any reserve funds needed in connection with wind-down of the GSEs, outstanding Affordable Housing Fund payments, and existing preferred and common shareholders, including Treasury as holder of warrants.

- Provides authority for transfer of GSEs assets to the new Issuer and permits Treasury to take new preferred shares in the new Issuers to assist in starting it up.

- Assesses a 10 basis point annual fee on outstanding balances to finance affordable housing through the Affordable Housing Trust Fund, Capital Magnet Fund, and a new Market Access Fund.