

COMMUNITY MORTGAGE BANKING PROJECT

Twenty Percent Down Payment Requirements Good for Mega Banks – Just Ask Jamie Dimon

Alexandria, Va. – March 17, 2011 -- A recent analyst report confirms that a 20 percent down payment requirement as part of the QRM definition will create market advantages for the mega banks according to a March 3, 2011 Equities report from Citigroup Global Markets entitled: “Notes from our Meeting w/ JP Morgan CEO Jamie Dimon.”

Too early to tell, but QRM could end up as a positive. Recent press reports have noted that the OCC and FDIC have agreed on a 20% minimum down payment requirement for a mortgage to be considered a Qualified Residential Mortgage (QRM).

Under Dodd Frank QRM’s are eligible to be exempt from the new 5% “skin in the game” retention requirement for the banks securitizing mortgage loans. By setting the bar for a QRM relatively high with a 20% down payment, Dimon noted that an unintended consequence could ultimately end up as a positive for the larger players such as JPM and WFC given these banks have the scale to hold the 5% of non-qualifying mortgages on their balance sheet.

“You heard it straight from the top – a 20 percent down payment requirement creates a huge advantage for the ‘too-big-to-fail banks.’ Just ask Jamie Dimon.” said Glen Corso managing director of the CMBP. “Today, the three largest banks – JP Morgan, Wells Fargo and Bank America – account for more than half of the mortgage lending in the country. A 20 percent down payment requirement as part of the QRM will simply accelerate that concentration while making loans more expensive for responsible borrowers. This is not what the Dodd-Frank Act reforms were supposed to do.”

“Unfortunately, what’s good for the megabanks won’t be good for consumers or the fragile housing market,” Corso added.

The chorus of voices raising serious concerns about the impact of a 20 percent minimum down payment in the QRM requirement has been growing – in diversity and intensity. Visit [CMBP’s web site](#) to see recent comments from the QRM amendment co-sponsors, Ellen Seidman, former director of the Office of Thrift Supervision; mortgage analyst Mark Zandi; the Center for Responsible Lending and others.

And for good reason. According to a new analysis of 33 million home loans originated between 2002 and 2008, boosting down payments in 5% increments has only a minor impact on default rates. For example, moving from a 5% to a 10% down payment on loans that already meet all of the other QRM standards reduces defaults by an average of only two- or three-tenths of one percent – but eliminates anywhere from seven to

15% of borrowers from qualifying for a lower rate QRM loan. Increasing the minimum down payment even further to 20% would knock 20 to 25% of borrowers out of QRM eligibility, with only small improvement in default performance of about eight-tenths of one percent. Visit [CMBP's web site](#) for the full release on the new data analysis.

Community Mortgage Banking Project is a public policy organization representing the interests of independent mortgage bankers. For decades, the community-based mortgage banker has delivered value and choice to consumers by leveraging local market expertise, quality service, and lower costs for borrowers. The CMBP supports financial market reforms that promote consumer access, borrower and investor transparency, local competition and choice, and a value added mortgage chain. For more information visit www.communitymortgagebankingproject.com.

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