DODD-FRANK WALL STREET REFORM AND THE CONSUMER PROTECTION ACT

NMHC/NAA Viewpoint

The financial markets require strong risk management oversight, regulations and protocols that are balanced and reasonable. To ensure these objectives are met, the Act must be constantly monitored and evaluated.

The Dodd Frank Financial Reform Act was passed in 2009 in response to the Great Recession and represented sweeping regulatory changes to all financial markets. The multifamily industry relies upon a variety of capital sources, all of which are impacted by the changes in regulations. The Act creates uncertainty for both multifamily development and investment in relationship to the capital markets, including the secondary multifamily mortgage programs of the Government-Sponsored Enterprises, Fannie Mae and Freddie Mac.

Categorized into 16 titles, the Act requires regulators to create nearly 400 rules, conduct 67 studies and issue 22 periodic reports, and touches all aspects of the financial industry. Its passage will take years to implement given the breadth of scope and complexity. Ultimately, the Act's reach impacts all participants who own, invest in or provide capital to the multifamily industry. For example, the new rules will impact bank lending practices through higher capital requirements and insurance company lending can be impacted by new oversight rules. The cost to securitize loans will also increase due to new risk retention rules. This is just to name a few of the potential impacts. Overall, the Act focuses on these key areas:

- A new risk-based approach to financial services regulation;
- New regulation of Systemically Important Financial Institutions;
- Increased bank supervision and increases in capital requirements;
- Heightened focus on consumer protection;
- Limits on bank investments and related activities;
- Heightened regulation of the mortgage industry; and
- Changes to the securitization market.

Since its passage in 2009, only half of the acts required rules had been enacted as of fiscal year 2014, showing the vast scope and impact of the bill.

The Act's far reaching impact has resulted in a number of regulations where NMHC/NAA have provided input to rule making bodies. For example, even though years have passed since its passage, several more years will be needed to complete implementation of the remaining rules. In addition, rules that have been previously passed are sometimes subject to review and revision. We also closely monitor any new rule or proposal to modify an existing rule. Our goal is to ensure a balanced approach to strong oversight and risk management protocols so that the multifamily industry is not negatively impacted.

NMHC/NAA Joint Legislative Program
1850 M Street, NW, Suite 540 | Washington, DC 20036 | 202 974 2300 WeAreApartments.org