Center for American Progress

Restructuring the U.S. Residential Mortgage Market

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Sarah Rosen Wartell
Executive Vice President
Center for American Progress
swartell@americanprogress.org

Redwood Trust Securitization (2010)

Collateral Summary

Statistics for the Mortgage Loans listed below are based on Cut-off Date scheduled balances.

		Minimum	Maximum
Scheduled Principal Balance:	$237,838,333.27		
Number of Mortgage Loans:	255		
Hybrid 5 Years Fixed Percentage:	100.00%		
Average Scheduled Principal Balance:	$932,699.35	$299,990.00	$2,500,000.00
Weighted Average Gross Coupon:	4.803%	4.000%	6.000%
Weighted Average Seasoning:	8 months	3 months	11 months
Weighted Average Months to Next Rate Adjustment:	52 months	49 month	57 months
Weighted Average Original LTV Ratio:	56.57%	7.96%	80.00%
Weighted Average Original Combined LTV Ratio(1):	60.42%	7.96%	80.00%
Weighted Average Original Credit Score:	768	702	816
Weighted Average Debt-to-Income Ratio:	27.32%	3.23%	48.63%
Interest Only (10 Years) Loans Percentage:	73.74%		
Weighted Average Gross Margin:	2.250%	2.250%	2.250%
Weighted Average Initial Periodic Rate Cap:	5.000%	5.000%	5.000%
Weighted Average Subsequent Periodic Rate Cap:	2.011%	2.000%	5.000%
Weighted Average Gross Maximum Lifetime Rate:	9.803%	9.000%	11.000%
Weighted Average Gross Minimum Lifetime Rate:	2.250%	2.250%	2.250%
Weighted Average Original Term:	360 months	360 months	360 months
Weighted Average Stated Remaining Term:	352 months	349 months	357 months
First Lien Percentage:	100.00%		
Silent Second Percentage:	27.16%		

(1) The original combined loan-to-value was calculated using full lien amount (drawn and undrawn) for the second mortgage. Using only the drawn amount of the second mortgage at the time of origination, the original combined loan-to-value ratio would have been approximately 58.44%.

Barriers to Private Securitization

1) Clarifying the “qualified residential mortgage” and “qualified mortgage” standards under Dodd-Frank

2) Improving servicing standards and confidence in the origination-level underwriting of loans

3) Removing the GSEs from the playing field

Principles of Mortgage Finance Reform

1) Broad and constant liquidity

2) Systemic stability and reduced taxpayer exposure

3) Affordably priced mortgage finance (including for rental housing)

4) Consumer protection

5) Increased transparency and standardization (to support all of the above)

What Should the Future Government Role Be?

Three competing visions of the government role:

1) No government backstop (regulation only):

Wallison

2) Government backstop only for countercyclical moments:

Scharfstein

3) Government backstop at all times (for limited part of market) to ensure broad availability of mortgage finance and consumer-friendly products:

MFWG, Passmore/Hancock, Pozen, Dynan/Gayer, Marron/Swagel, Mortgage Bankers Association, etc.

Would a purely private market provide broad liquidity and consumer-friendly products?

- Only two examples of a private mortgage system:
  - 1) Pre-New Deal residential real estate
  - 2) Current commercial real estate (To a lesser extent)

- Based on these examples, you'd expect to see:
  - 1) Reduced availability of mortgage finance to high wealth, high income borrowers
  - 2) Loan characteristics that are highly favorable to the lender, highly onerous to the borrower: short durations (3-5 years), high rates, non-amortization (interest only), high down payments (50%)