



Affordability and Sustainability

Private & Confidential New JV Product Proposal AI QBIESAM™ Mortgages

“AI QBIESAM” Mortgages Reach True Borrower Monthly Affordability and Sustainability Without Increasing Borrower Debt Loads, or Lender/Pool Loss or Capital Ratio Impairment Write-Offs, (Whether by Contract, FASB or Regs/Rev.Proc.)

By Rich Rydstrom, Esq., FAS Accountant,
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Win-Win-Win Solution (QBIESAM™/TAGMP™):

In our new and exploding AI Age we must upgrade our mortgage products with the public policy purpose to achieve true Affordability and Sustainability. We created solutions to the Great Recession and now we create solutions for the new AI Age. For immediate implementation our 2025 products are compliant with best practices, FAS and the Regs and Rev.Procs. The benefits of our real time AI driven OptinSHILO™ (Optin Safe Harbor Intelligent Loan Options™) include:

1. We reach true **Affordability and Sustainability** for Borrowers on a monthly cash burden basis.
2. **Risk is fully paid** for but not on a monthly borrower cash basis, but with non-cash equivalents, internal and external enhancements, new purposed insurance, and tradable, transferable and guaranteed forgiveness or deferred shared pieces.
3. We achieve **Objective Safe Harbor** standards, in a real time 24/7/365 environment as a financial instrument with **Buil-In Loss Mitigation**.

4. AI-QBIESAM and TAGMP are NET VALUED financial RAhD & RAhC contingency contracts with definite **EVALUABLE** terms and conditions. Phase implementation includes real time AuditLink™ AI Blockchain.
5. The Great Recession would not have reached dire severity and frequency contingencies including loss valuation write-offs, capital impairments, and periods of illiquidity with AI-QBIESAM and TAGMP. We now are entering the AI Age where **Randomly Activated Hidden Debt (RAhD), and Randomly Activated Hidden Contingencies (RAhC) are EVALUABLE**. Mortgage instruments are real-time financial instruments with fully predictable performance and non-performing mathematical parameters.
6. The lessons of the **Great Recession** include a treasure trove of known and “unknown” contingencies including lack of liquidity, self-destructive FAS rules, and actual monthly payment reduction percentages that greatly lower redefault rates.

As Chairman of CMIS, I created QBIESAM as a solution to the mortgage meltdown, credit freeze and illiquidity crisis in the Great Recession.

[Modification_Tax_Safe_Harbor_1A_2_FINAL_1_-_Copy.pdf](#)

[CMIS_eMAGAZINE_Q1_2009_W.pdf](#) (<https://www.mortgagecoalition.org>)

No Free Lunch: Risk Must Be Paid:

Risk must be paid for, but not necessarily in borrower’s monthly cash payments. It can be in non-cash equivalents, and internal and external enhancements. Combined, QBIESAM and TAGMP offer a comprehensive solution to Affordability and Sustainability. (See Below)

Great Recession’s Definition of True Affordability and Sustainability:

As learned from the Great Recession, if we lower monthly (PITI) payments by over 20%, the re-default rates go from 30% (or 28% within 6 months) to 21%. If payments were lowered by only 10-20%, the re-default rate was 49%. (Fitch; CMIS Focus eMagazine) True Affordability and Sustainability offer more than an effective political benefit, it strengthens and grows the economy. Isolated term extension re-casts (40-50 years) or transferable mortgages simply do not offer the benefits of QBIESAM and TAGMP. Growth is always key. QBIESAM and TAGMP not only trigger the purchase and sale of homes (and commercial buildings), but it can reach true monthly affordability and hold-to-maturity sustainability. I thought you would like to review, adopt or adapt it. See Below. [CMIS_eMAGAZINE_Q1_2009_W.pdf](#)

State of the Mortgage Origination Industry:

The mortgage industry is FLAT, TOO COSTLY, INEFFICIENT, and based on EXCEPTIONS. When the best thing about an industry's efficiency is that it runs on exceptions, the industry is on its knees begging for Safe Harbor refinement. It hasn't learned a thing from the Great Recession. Advancements in the mortgage industry are incrementally painful.

Growth is non-existent. The industry expects a move up from 5.4M units to 5.8M units through 2028 or 8% in units and dollar volume. It's too costly for industry and consumer participants. Both! Plug-in software costs are cost-prohibitive to some lender operators. But the industry passes costs on to the borrower, if not directly, through interest rate yields. Consumer costs also include Insurance, Maintenance, and Property Taxes, totaling \$16,000-20,000 per year. Currently, the average interest rate is 6% plus and it is not moving down fast enough but should be radically addressed by the White House.

Can the mortgage industry cut costs? Not really, unless we eliminate contradictory regulations and revenue procedures. Incrementally, if it can do without multiple FICO pulls, or other Plug-ins, but their systems are old or not up to par; some without API Plug-ins. To be fair to the industry, REGULATIONS are self-conflicting and overbearing; and keep the industry in an Incremental Box. New Truly Intelligent Regulations and Revenue Procedures ("TIRR") need to take the chains off and supply **Safe Harbors**. New products are precluded from introduction as the Regs are a patch-quilt of "Gotcha". But at all times the consumer borrower must benefit and prosper from all such changes. Mutual growth.

What will it take to reach President Trump's Public Policy of Affordability and Sustainability?

I must say, it sounds like the Great Recession again, where the industry was down and out. I may be repeating my Statement to the 110th Congress, but it still applies.

(<https://www.mortgagecoalition.org>) ["THE MIDDLE CLASS AMERICAN DREAM OF HOMEOWNERSHIP: PROBLEMS, NEW SOLUTIONS & ITS DIRECT RELATIONSHIP WITH THE ECONOMY & RETIRE](#)

The industry says its directives include **Affordability and Sustainability**, but it's far from reaching that reality. To achieve Affordability and Sustainability, a disruptive, comprehensive, and structural solution must be implemented. For example, once the goal is correctly defined, all regulations (and IRS Rev. Procs.) must be tested for consonance and dissonance. Eliminate the contradictory and exception-based Regs and Rev. Procs.

Defining the Comprehensive Solution:

Mortgages must include enhancements such as QBIESAM and TAGMP with additional insurance (and reinsurance) for varying contingencies or events, including default, foreclosure and bankruptcy. (See reference link below to: The New American-Dream) Also, mortgage origination must include pre-defined Mortgage Loss Mitigation options so that each mortgage can be more accurately evaluated on a true net value basis, considering all known and unknown contingencies. This will be done perpetually in real-time with modern AI and blockchain technologies.

Financing sources must be expanded and the risks from each source must be balanced (and diversified) so no one segment can result in severe illiquidity (as seen in the Great Recession). Sources must include the GSEs', Private Label Securitization, Covered Bonds, and new non-cash (Hold-To-Maturity) equivalents, internal and external enhancements such as new insurance products, new mortgages that lower the cash-price for risk, but allow for lower monthly consumer payment burdens without increasing the overall payoff for the borrower, and private/public guaranteed transferrable and or tradable pieces to inject liquidity into the secondary market. For example, we're back to the CMIS DC Summit in June of 2008, where I discussed QBIESAM and TAGMP with Wilbur Ross, broadcast live throughout the world.

Lenders can offer the borrower greater returns for even lower monthly payments, **without any need to increase the re-cast amortization to 40 or 50 years**. Although, such should remain as a separate option. It's a win-win-win for the Borrower, Lender and Government. FHA guarantees the quarantined and assignable amounts (QBIESAM TAGMP). Reinsurance also acts as a backstop to further reduce the frequency and severity of risk.

(<https://www.QbieSam.com>) [Modification_Tax_Safe_Harbor_1A_2_FINAL_1_-_Copy.pdf](#)

Flexible QBIESAM: QBIESAM offers reductions in UPB by deferred or forgiven UPB, along with built-in contractual pre-defined Loss Mitigation options, to reach true borrower cash flow affordability and sustainability. The Lender and the Borrower can negotiate for lower monthly payments (and or low-down payments in origination) in consideration for a lesser appreciation share, or percentage shares with maximum caps and or minimums. It offers specific purpose insurance products (whether it's a government backed mortgage or a non-conforming private label) to fully pay for risk, not only in cash terms, but as non-cash internal and external equivalents. At first sale/refinancing, the shared appreciation is distributed. QBIESAM can also incorporate similar terms as the TAGMP.

Conclusion – What It Takes for Affordability and Sustainability:

More and new products are needed, not less. We are in the advanced computer digital AI age. Having more products and devices available with **built-in known financial contingency parameters and options** to enhance the borrower's ability to enter and reach the American Dream and lessen the contingent risks for the industry are not a burden. It's there for the visionary. When each mortgage is valued as a financial product with built-in borrower entry and Loss Mitigation benefits, risk is manageable. The frequency and severity of the illiquidity and freezing events of the Great Recession could have been avoided or certainly managed into known and foreseeable compartments without self-perpetuated devaluation-loss write-downs and capital ratio impairments.

U.S. Treasury & HAMP: My HAMP outline to the United States Treasury and Statement to the 110th Congress, focused on Uniformity, Affordability, Sustainability and Growth concepts including insurance pieces. (Available on request)

Links to Detailed Analysis and Discussions:

1. Discussion of Conflicting Regulations and Rev.Procs. By Rich Rydstrom, Esq. Chair CMIS April 2009 Mortgage Modifications Safe-Harbors? HAMP, Are We There Yet? [Modification_Tax_Safe_Harbor_1A_2_FINAL_1_-_Copy.pdf](https://www.mortgagecoalition.org/Modification_Tax_Safe_Harbor_1A_2_FINAL_1_-_Copy.pdf)
https://www.mortgagecoalition.org/Modification_Tax_Safe_Harbor_1A_2_FINAL_1_-_Copy.pdf
2. Liquidity for Default Events; FHA/GNMA; Covered Bonds; Private Label Securitization; Future Role of GSEs. By Rich Rydstrom, Esq. Chair CMIS, 2010; The New American-Dream Team: FHA/Ginnie Mae: The \$1 Trillion Ballooning of FHA/Ginne Mae [New_FHA_GNMA_Balloon_Rydstrom_CMIS_JULY_2009F_1_1_.pdf](https://www.mortgagecoalition.org/New_FHA_GNMA_Balloon_Rydstrom_CMIS_JULY_2009F_1_1_.pdf)
https://www.mortgagecoalition.org/New_FHA_GNMA_Balloon_Rydstrom_CMIS_JULY_2009F_1_1_.pdf

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