

A Solution for the Broken Mortgage Market

The Shared Responsibility Mortgage stabilizes local housing markets for the benefit of mortgage borrowers and investors.

The Shared Responsibility Mortgage is an innovative, new mortgage product that protects mortgage borrowers from local housing market downturns and prevents foreclosures. Borrowers pay less money when their local housing market has lost value. These savings give money to local economies in times of distress, helping to stimulate consumption and prevent further declines on housing values.

Mortgage borrowers do not control their local housing markets. Businesses may close. Interest rates and property taxes may rise, and the local economy may undergo a recession. Or in the case of 2008, the entire financial system may collapse. Currently, when these economic changes take place, mortgages still expect borrowers to pay the same monthly amount. Borrowers can easily find themselves in a position known as negative equity, where the balance of their mortgage is much larger than the home is worth. Borrowers are then left with a difficult choice: keep paying too much for a house that is suddenly worse less, or default on their mortgage and damage their credit scores. That's a tough choice, and one that 30% of Americans faced in 2008.

The SRM has a simple approach to protect mortgage borrowers when facing issues like negative equity. For example, consider an SRM borrower who has a 30-year mortgage and a monthly payment of \$1,000. If the local housing market has lost 10% in value since the mortgage was originated, the borrower would save 10% on their monthly payment. For example, \$100 is 10% of \$1,000, so the borrower only owe \$900 (\$1,000 - \$100) for that month's payment. These savings never have to be repaid. If prices have risen above their original amount, the borrower is not expected to pay more than the original monthly amount. Instead, SRM borrowers will share 5% of the increase in the value of their home at sale. If the house has not increased in value, the borrower will not owe anything extra. PartnerOwn co-founder Dylan Hall says, "We have reimagined the mortgage to make sure that borrower and lender incentives are better aligned for a safer mortgage market."

Borrowers interested in the SRM should visit PartnerOwn's website (<http://partnerown.com>). They have a list of lenders who are currently offering the Shared Responsibility Mortgage. Jane Doe, a recent SRM borrower, says that the process is easy, and she "is happy to know that the product will protect my housing investment. It was scary to see what happened these past few years, and I wanted a mortgage that understood my concerns as a homeowner."