



Americans for Financial Reform
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June 9, 2014

Dear Member of Congress,

We are writing to urge you to oppose H.R. 3211 and any Senate companion bill, which reopens the door to the higher fees borrowers faced in the lead up to the mortgage crisis. Specifically, this bill creates loopholes that would allow loans with higher costs to improperly meet the Qualified Mortgage (QM) standard established in the Dodd-Frank Wall Street Reform and Consumer Protection Act. Congress should refrain from weakening the Qualified Mortgage standard and reject this bill. Due to a broken market, title insurance fees are grossly inflated—less than 10 cents is paid out in claims for each \$1 of premiums, and title insurance adds \$1,000 or more to the upfront costs of many mortgages. In other words, almost the entirety of a title insurance premium goes to commissions, not insurance coverage. The QM protections represent appropriate steps to directly address recent problems without impacting access to credit.

The mortgage reforms in Title XIV of Dodd-Frank were put in place as a direct response to the deceptive and unsound mortgage lending practices and products that put borrowers into risky, high-cost loans they could not understand or afford. Many of these inflated loans were made in communities of color and low-income communities, where the effects of the recent economic collapse are ongoing. The Ability to Repay provision requires all lenders to reasonably determine whether a mortgage is affordable for the borrower. Lenders can demonstrate their compliance with the Ability to Repay requirement by originating loans that meet the bright line tests in the Qualified Mortgage definition. One such bright line is a limit on “points and fees” – which account for a loan’s origination costs – that exceed 3 percent of the loan amount. This borrower protection prevents loans with more expensive origination costs from gaining QM status.

H.R. 3211 would weaken the consumer protections of QM loans by legislating exceptions to the 3 percent points and fees threshold. These exceptions include exempting title insurance paid to a company affiliated with a lender from counting toward the 3 percent cap. Specifically, these exceptions would exclude fees paid to certain title companies and compensation to brokers. The title insurance market is neither transparent nor competitive and, as a result, borrowers have little choice but to overpay. A 2007 GAO report concluded that borrowers “have little or no influence over the price of title insurance but have little choice but to purchase it.” The study also found that 70% of the premiums are paid to agents for commissions, while only 5% are paid out in claims. The QM rules do not solve the problem in the current market but they help encourage more competitive pricing. By preventing any reform of the title insurance market, H.R. 3211 would eliminate one effective way to drive down costs for borrowers.

The approach taken in this bill, which is misleadingly named the Mortgage Choice Act, leaves the door open for abuses that were typical in the recent subprime crisis. During the subprime lending boom, borrowers often paid excessive origination costs; Dodd-Frank's Qualified Mortgage provisions aim at restoring a fair market.

This bill would undermine those rules not long after they have taken effect. Congress passed Dodd-Frank and the Bureau, as directed, has written regulations for Qualified Mortgages and the Ability to Repay requirements. The new rules went into effect in January of this year, and they should be given the chance to work.

There are a number of specific features of the title insurance market which add to our concerns about HR 3211:

Lenders steer borrowers to overpriced title insurance. Borrowers are responsible for paying title insurance costs, but the price for this product is agreed upon between the lender and the title insurance company. Consumers do not, and essentially cannot, shop for this product, so this is a broken market where competition does not function to drive down prices. The incentives to increase the costs of title insurance paid by borrowers are enhanced when lenders are coordinating with their own affiliates that provide title insurance.

Title insurance prices are vastly inflated. The opaque pricing and sales system for title insurance leaves borrowers without information or leverage to get a better price. As a result, higher prices can be charged with most of the insurance fee going to the sales agent, not to provide coverage for losses.

States don't adequately regulate the market. The "file and use" approach employed by many states allows insurers and lenders to push prices up at their own discretion, filing fee hike requests with regulators and then using them with homeowners. There is minimal evaluation as to the appropriateness of fee increases.

Households and communities across the country have yet to recover from the recent subprime lending crisis, and Congress should learn from the past instead of creating incentives to repeat these lending abuses. As a result, the undersigned organizations oppose H.R. 3211 and ask that you not support this bill.

Sincerely,

Action for the Common Good
AFL-CIO
Alliance for a Just Society
Americans for Financial Reform
Center for Economic Justice
Center for Popular Democracy
Center for Responsible Lending

Connecticut Fair Housing Center
Consumer Action
Consumer Federation of America
Consumers Union
Empire Justice Center
Home Defenders League
The Leadership Conference on Civil and Human Rights
NAACP
National Association of Consumer Advocates
National Consumer Law Center (on behalf of its low income clients)
National Council of La Raza
National Fair Housing Alliance
New Economic Project
New Jersey Citizen Action
Public Citizen
Woodstock Institute

Following are the partners of Americans for Financial Reform.

All the organizations support the overall principles of AFR and are working for an accountable, fair and secure financial system. Not all of these organizations work on all of the issues covered by the coalition or have signed on to every statement.

- AARP
- A New Way Forward
- AFL-CIO
- AFSCME
- Alliance For Justice
- American Income Life Insurance
- American Sustainable Business Council
- Americans for Democratic Action, Inc
- Americans United for Change
- Campaign for America's Future
- Campaign Money
- Center for Digital Democracy
- Center for Economic and Policy Research
- Center for Economic Progress
- Center for Media and Democracy
- Center for Responsible Lending
- Center for Justice and Democracy
- Center of Concern
- Center for Effective Government
- Change to Win
- Clean Yield Asset Management
- Coastal Enterprises Inc.
- Color of Change
- Common Cause
- Communications Workers of America
- Community Development Transportation Lending Services
- Consumer Action
- Consumer Association Council
- Consumers for Auto Safety and Reliability
- Consumer Federation of America
- Consumer Watchdog
- Consumers Union
- Corporation for Enterprise Development
- CREDO Mobile
- CTW Investment Group
- Demos
- Economic Policy Institute
- Essential Action
- Green America
- Greenlining Institute
- Good Business International

- HNMA Funding Company
- Home Actions
- Housing Counseling Services
- Home Defender's League
- Information Press
- Institute for Agriculture and Trade Policy
- Institute for Global Communications
- Institute for Policy Studies: Global Economy Project
- International Brotherhood of Teamsters
- Institute of Women's Policy Research
- Krull & Company
- Laborers' International Union of North America
- Lawyers' Committee for Civil Rights Under Law
- Main Street Alliance
- Move On
- NAACP
- NASCAT
- National Association of Consumer Advocates
- National Association of Neighborhoods
- National Community Reinvestment Coalition
- National Consumer Law Center (on behalf of its low-income clients)
- National Consumers League
- National Council of La Raza
- National Council of Women's Organizations
- National Fair Housing Alliance
- National Federation of Community Development Credit Unions
- National Housing Resource Center
- National Housing Trust
- National Housing Trust Community Development Fund
- National NeighborWorks Association
- National Nurses United
- National People's Action
- National Urban League
- Next Step
- OpenTheGovernment.org
- Opportunity Finance Network
- Partners for the Common Good
- PICO National Network
- Progress Now Action
- Progressive States Network
- Poverty and Race Research Action Council
- Public Citizen
- Sargent Shriver Center on Poverty Law
- SEIU
- State Voices
- Taxpayer's for Common Sense
- The Association for Housing and Neighborhood Development
- The Fuel Savers Club

- The Leadership Conference on Civil and Human Rights
- The Seminal
- TICAS
- U.S. Public Interest Research Group
- UNITE HERE
- United Food and Commercial Workers
- United States Student Association
- USAction
- Veris Wealth Partners
- Western States Center
- We the People Now
- Woodstock Institute
- World Privacy Forum
- UNET
- Union Plus
- Unitarian Universalist for a Just Economic Community

List of State and Local Partners

- Alaska PIRG
- Arizona PIRG
- Arizona Advocacy Network
- Arizonans For Responsible Lending
- Association for Neighborhood and Housing Development NY
- Audubon Partnership for Economic Development LDC, New York NY
- BAC Funding Consortium Inc., Miami FL
- Beech Capital Venture Corporation, Philadelphia PA
- California PIRG
- California Reinvestment Coalition
- Century Housing Corporation, Culver City CA
- CHANGER NY
- Chautauqua Home Rehabilitation and Improvement Corporation (NY)
- Chicago Community Loan Fund, Chicago IL
- Chicago Community Ventures, Chicago IL
- Chicago Consumer Coalition
- Citizen Potawatomi CDC, Shawnee OK
- Colorado PIRG
- Coalition on Homeless Housing in Ohio
- Community Capital Fund, Bridgeport CT
- Community Capital of Maryland, Baltimore MD
- Community Development Financial Institution of the Tohono O'odham Nation, Sells AZ
- Community Redevelopment Loan and Investment Fund, Atlanta GA
- Community Reinvestment Association of North Carolina
- Community Resource Group, Fayetteville A
- Connecticut PIRG
- Consumer Assistance Council
- Cooper Square Committee (NYC)
- Cooperative Fund of New England, Wilmington NC

- Corporacion de Desarrollo Economico de Ceiba, Ceiba PR
- Delta Foundation, Inc., Greenville MS
- Economic Opportunity Fund (EOF), Philadelphia PA
- Empire Justice Center NY
- Empowering and Strengthening Ohio's People (ESOP), Cleveland OH
- Enterprises, Inc., Berea KY
- Fair Housing Contact Service OH
- Federation of Appalachian Housing
- Fitness and Praise Youth Development, Inc., Baton Rouge LA
- Florida Consumer Action Network
- Florida PIRG
- Funding Partners for Housing Solutions, Ft. Collins CO
- Georgia PIRG
- Grow Iowa Foundation, Greenfield IA
- Homewise, Inc., Santa Fe NM
- Idaho Nevada CDFI, Pocatello ID
- Idaho Chapter, National Association of Social Workers
- Illinois PIRG
- Impact Capital, Seattle WA
- Indiana PIRG
- Iowa PIRG
- Iowa Citizens for Community Improvement
- JobStart Chautauqua, Inc., Mayville NY
- La Casa Federal Credit Union, Newark NJ
- Low Income Investment Fund, San Francisco CA
- Long Island Housing Services NY
- MaineStream Finance, Bangor ME
- Maryland PIRG
- Massachusetts Consumers' Coalition
- MASSPIRG
- Massachusetts Fair Housing Center
- Michigan PIRG
- Midland Community Development Corporation, Midland TX
- Midwest Minnesota Community Development Corporation, Detroit Lakes MN
- Mile High Community Loan Fund, Denver CO
- Missouri PIRG
- Mortgage Recovery Service Center of L.A.
- Montana Community Development Corporation, Missoula MT
- Montana PIRG
- New Economy Project
- New Hampshire PIRG
- New Jersey Community Capital, Trenton NJ
- New Jersey Citizen Action
- New Jersey PIRG
- New Mexico PIRG
- New York PIRG
- New York City Aids Housing Network
- New Yorkers for Responsible Lending

- NOAH Community Development Fund, Inc., Boston MA
- Nonprofit Finance Fund, New York NY
- Nonprofits Assistance Fund, Minneapolis M
- North Carolina PIRG
- Northside Community Development Fund, Pittsburgh PA
- Ohio Capital Corporation for Housing, Columbus OH
- Ohio PIRG
- OligarchyUSA
- Oregon State PIRG
- Our Oregon
- PennPIRG
- Piedmont Housing Alliance, Charlottesville VA
- Michigan PIRG
- Rocky Mountain Peace and Justice Center, CO
- Rhode Island PIRG
- Rural Community Assistance Corporation, West Sacramento CA
- Rural Organizing Project OR
- San Francisco Municipal Transportation Authority
- Seattle Economic Development Fund
- Community Capital Development
- TexPIRG
- The Fair Housing Council of Central New York
- The Loan Fund, Albuquerque NM
- Third Reconstruction Institute NC
- Vermont PIRG
- Village Capital Corporation, Cleveland OH
- Virginia Citizens Consumer Council
- Virginia Poverty Law Center
- War on Poverty - Florida
- WashPIRG
- Westchester Residential Opportunities Inc.
- Wigamig Owners Loan Fund, Inc., Lac du Flambeau WI
- WISPIRG

Small Businesses

- Blu
- Bowden-Gill Environmental
- Community MedPAC
- Diversified Environmental Planning
- Hayden & Craig, PLLC
- Mid City Animal Hospital, Pheonix AZ
- UNET

