



Americans for Financial Reform
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May 7, 2014

Dear Representative,

The House Financial services Committee will meet tomorrow to mark up several bills that will undermine important consumer protections put in place in response to the housing crisis. The bills each create new carve outs and exemptions from the rules.

We write to urge you to vote ‘NO’ on each of the following bills.

- H.R. 1779, the Preserving Access to Manufactured Housing Act of 2013 would amend the definition of a ‘mortgage originator’, ‘high cost mortgages’ and corresponding thresholds, which would loosen borrowing standards in this market. The current rule does not ban higher priced loans; it correctly recognizes that they may be riskier and consumers deserve some enhanced protections. Additionally, the rule already makes some accommodations for differences between manufactured housing and the broader housing market, allowing for slightly higher rates and fees. This bill is asking for more.

The CFPB discussed concerns with stakeholders and agreed to review market data to determine if any alterations to the rule are justified. This bill circumvents a data-driven process and imposes a random standard that undermines important borrower protections.

- H.R. 2673, the Portfolio Lending and Mortgage Access Act would change the new Qualified Mortgage (QM) rules in Dodd Frank’s Ability to Repay requirement by exempting all financial institutions – large and small -- from QM standards, as long as the mortgage loans in question are held by the institution. The CFPB has already created a separate category for QM loans that are originated and held in portfolio (for a minimum of three years) by institutions with less than \$2 billion in total assets. That was a narrowly drawn accommodation for smaller lenders. This legislation would grant QM status to loans held in portfolio by any lending institution—regardless of size—allowing lenders to legally evade QM’s conservative underwriting requirements. If this were to pass, consumers would once again be confronted with mortgage loans that are throw-backs to the unsustainable lending that precipitated the housing collapse.
- H.R. 3211, the Mortgage Choice Act of 2013 would allow many more risky, high-cost loans to qualify as QM loans by creating exceptions to the points and fees threshold. 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.

- H.R. 4466, the Financial Regulatory Clarity Act of 2014 would require regulatory agencies – the Federal Deposit Insurance Corporation (FDIC), Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System, Consumer Financial Protection Bureau (CFPB), Securities and Exchange Commission (SEC), National Credit Union Administration (NCUA), and Commodity Futures Trading Commission (CFTC) – to undergo additional costly, complex and redundant assessments of proposed regulations. These additional requirements would do little more than create unnecessary and time-consuming paperwork. Specifically, the bill would undercut the CFPB’s ability to protect consumers from predatory financial practices by frustrating its rulemaking authority.

The CFPB already is already required to subject its proposed rulemakings to rigorous scrutiny via: (1) notice and public comment, pursuant to the Administrative Procedure Act; (2) SBREFA panels; (3) cost benefit analysis; and (4) mandatory review of regulations every five years. These requirements are sufficient to ensure that its rulemakings are practical and effective.

- H.R. 4521, the Community Institution Mortgage Relief Act of 2014 would change escrow and mortgage servicing requirements for community financial institutions, by exempting them from escrow requirements for loans held in portfolio. It would set a dangerous precedent by changing the definition of smaller creditor to one holding assets of less than \$10 billion, a much larger amount than the current definition of small creditor. This bill would also instruct the Bureau to provide exemptions to, or adjustments for, servicers that annually service 20,000 or fewer mortgage loans.

Escrow accounts protect consumers by ensuring that they have funds for reoccurring homeownership-related expenses, such as property taxes and insurance premiums. Pursuant to the Dodd-Frank Act, the CFPB implemented clear rules establishing a minimum period of time for which escrows must be held for higher-priced mortgages. The Bureau also specified an exemption to the escrow requirement for small creditors operating predominately in rural and underserved areas. This legislation threatens to upend current regulations designed to help consumers stay in their homes and avoid the likelihood of default—which happens all too often where escrow protections are weakened. It undermines this consumer safeguard by allowing larger and possibly less-community-focused lenders, with sufficient financial resources, to make higher-priced mortgages to rural and underserved borrowers.

We thank you for your consideration and urge you to oppose the above bills that will undercut hard-fought for protections for borrowers.

Sincerely,

Americans for Financial Reform
California Reinvestment Coalition
Center for Responsible Lending
Empire Justice Center
The Leadership Conference on Civil and Human Rights
National Consumer Law Center (on behalf of its low-income clients)
National Fair Housing Alliance

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

