MBA®

MORTGAGE BANKERS ASSOCIATION

July 17, 2018

The Honorable Paul Ryan
Speaker of the House
United States House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader
United States House of Representatives
H-204, The Capitol
Washington, D.C. 20515

The Honorable Rodney Frelinghuysen
Chairman
House Committee on Appropriations
United States House of Representatives
2306 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Nita Lowey
Ranking Member
House Committee on Appropriations
United States House of Representatives
2365 Rayburn House Office Building
Washington, D.C. 20515

Dear Speaker Ryan, Leader Pelosi, Chairman Frelinghuysen, and Ranking Member Lowey:

The Mortgage Bankers Association (MBA) appreciates the opportunity to address provisions of the Financial Services and General Government (FSGG) appropriations language for Fiscal Year 2019 which has been packaged within H.R. 6147, the Interior, Environment, and Related Agencies Appropriations text expected to receive consideration on the House floor this week. MBA appreciates the focus on certain provisions within the bill, specifically within Title IX, that would improve the manner in which the mortgage industry is regulated. MBA continues to favor efforts by policymakers to further principles of good governance such as agency accountability, transparency, and independent oversight.

Subtitle D – The Mortgage Choice Act

MBA supports Subtitle D, section 906, as it would make two adjustments to the Truth in Lending Act (TILA) definition of points and fees to ensure greater consumer choice in mortgage and settlement services under the Ability to Repay/Qualified Mortgage (QM) rule. The QM rule sets the standard for consumer mortgages by providing significant compliance certainty to loans that do not have risky features and meet strict federal requirements. A key requirement is that points and fees for a QM may not exceed 3 percent of the loan amount.

The problem arises from the fact that, under current law and rules, what constitutes a “fee” or a “point” towards the points and fees cap varies greatly depending upon who is making the loan and what arrangements are made by consumers to obtain title insurance. If the consumer chooses a title insurance provider that is affiliated with the lender, the title insurance charges count, but if the insurance is purchased from an unaffiliated title agency, the title charges do not count. In addition, escrowed homeowners insurance premiums may count as “points and fees” due to ambiguous drafting in the law.

The inclusion of either title insurance or escrowed homeowners’ premiums has caused many loans, especially those for low- and moderate-income consumers, to fail the QM test in situations where the consumer elected to use one stop-shopping. As a result, many otherwise qualified borrowers could not avail themselves of in house services and/or may have received a higher interest rate. MBA believes this legislation will ensure consumers more choices in credit providers and settlement service options.

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Subtitle U – TRID Improvement Act

MBA also supports Subtitle U, section 936, as it would amend the Real Estate Settlement Procedures Act (RESPA) to require the Bureau of Consumer Financial Protection (BCFP) to allow the accurate disclosure of title insurance premiums and any potential available discounts to homebuyers. Under current regulations, the BCFP does not permit title insurance companies to disclose available discounts for lender's title insurance on the government-mandated disclosure forms. This creates inconsistencies in mortgage documents and causes confusion for consumers. This section would minimize that confusion by allowing title insurance companies to disclose available discounts and accurate title insurance premiums to consumers across the country.

Subtitle X – BCFP on Appropriations

MBA supports the intent behind Subtitle X, Section 943 of the bill. This legislation would bring the Bureau of Consumer Financial Protection (BCFP) into the regular appropriations process, a provision that MBA has long supported as an appropriate check and balance of the regulator's existing authority. While we are supportive of the Bureau's overarching mission to protect consumers, MBA continues to also support refinements of the Bureau's makeup and authorities to better address consumer needs and otherwise carry out its responsibilities.

Conclusion

The U.S. mortgage market is best served by a large and diverse group of institutions – large and small, bank and nonbank, secondary market sellers and portfolio lenders. Consumers benefit most when a diverse, robust lender community competes in a market governed by a common set of rules. MBA strongly believes that in the process of reforming and refining the current regulatory framework, care must be taken to ensure that the rules of the road apply evenly across the market place.

Based on the inclusion of the provisions highlighted within this letter, we would urge all Representatives to vote in support of H.R. 6147 as re-packaged. Thank you in advance for the consideration of these expressed views.

Sincerely,

Bill Killmer
Senior Vice President, Legislative and Political Affairs

cc: The Honorable Tom Graves, Chairmain, Subcommittee on Financial Services & General Government, House Committee on Appropriations

The Honorable Mike Quigley, Subcommittee on Financial Services & General Government, House Committee on Appropriations

All Members, House of Representatives