MORTGAGE BANKERS ASSOCIATION

September 25, 2018

The Honorable Paul Ryan
Speaker of the House
U.S. House of Representatives
H-232, The Capitol
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
H-204, The Capitol
Washington, DC 20515

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
2221 Rayburn House Office Building
Washington, DC 20515

Dear Speaker Ryan, Leader Pelosi, Chairman Hensarling and Ranking Member Waters:

On behalf of the Mortgage Bankers Association (MBA), I am writing to express our strong support for the consideration and passage of H.R. 6737, the *Protect Affordable Mortgages for Veterans Act.* This bill was introduced on a bipartisan basis by Representatives Lee Zeldin (R-NY), Claudia Tenney (R-NY), and Kyrsten Sinema (D-AZ), and was favorably reported by the Committee on Financial Services by a unanimous 49-0 vote. We understand that the full House of Representatives will consider the bill under suspension this week.

In late May, the *Economic Growth, Regulatory Relief, and Consumer Protection Act* (Public Law 115-174) was signed by President Trump. Among the many provisions contained within the legislation as enacted, Section 309, entitled "Protecting Veterans from Predatory Lending," sought to address the problem of loan churning targeted at service members and veterans. This section instituted new requirements that refinanced VA loans must meet in order to be eligible for the VA guaranty and for Ginnie Mae pooling.

MBA has consistently supported the purpose of Section 309(a) of the public law, which provides the new requirements that must be met for the refinanced VA loan to obtain a VA guaranty. The three requirements are:

- Fee recoupment within 36 months;
- Net tangible benefits to the borrower, measured as a decrease of at least 50 basis points in the interest rate in the case of a fixed-to-fixed refinance, and at least 200 basis points in the interest rate in the case of a fixed-to-floating refinance; and
- Seasoning of the initial loan for at least 210 days, calculated from the date of the first payment made by the borrower on the initial loan to the note date of the new loan. (At least six monthly payments must also have been made by the borrower.)

Section 309(b) of the public law also provides similar loan seasoning requirements that must be met for the refinanced VA loan to serve as collateral for a Ginnie Mae security. However, because there was no effective date provided in the legislation as enacted, these various provisions took effect immediately and resulted in an unintended negative consequence for a cohort of recently-closed VA loans. Specifically, these loans were no longer eligible for Ginnie Mae securitization, even though they maintained a valid VA guaranty and met all Ginnie Mae requirements at the time of closing. For some lenders, this situation has created liquidity strains due to the lack of viable alternative secondary market executions for these loans.

H.R. 6737 aims to address this problem by striking section 309(b), thus allowing for Ginnie Mae pooling of these VA-guaranteed refinance loans. Absent this legislation, VA lenders of all sizes will be forced to sell or finance these loans at a loss, potentially hindering their ability or willingness to originate similar loans in the future. Importantly, striking this provision does nothing to weaken the consumer protections that were put in place through the original legislation, as the seasoning requirements in section 309(b) are largely duplicative of those already instituted in section 309(a). H.R. 6737 would provide the added benefit of better clarifying the treatment of VA-guaranteed loans that were purchased out of pools for loss mitigation activities, as well as cash-out refinances, both of which have been inadvertently made ineligible for Ginnie Mae pooling in certain instances as a result of the original legislation.

As always, thank you for the consideration of the views expressed within this letter. We look forward to our continued work together to promote a more competitive and sustainable real estate finance market in the United States.

Sincerely,

Bill Killmer
Senior Vice President, Legislative and Political Affairs

cc: All Members, United States House of Representatives