



MORTGAGE BANKERS ASSOCIATION

April 4, 2019

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

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

The Honorable Mark Takano
Chairman
Committee on Veterans' Affairs
U.S. House of Representatives
B234 Longworth House Office Building
Washington, DC 20515

The Honorable Phil Roe
Ranking Member
Committee on Veterans' Affairs
U.S. House of Representatives
3460 O'Neill House Office Building
Washington, DC 20024

Dear Chairwoman Waters, Ranking Member McHenry, Chairman Takano and Ranking Member Roe:

On behalf of the Mortgage Bankers Association (MBA), I am writing to express our strong support for the consideration of H.R. 1988, the *Protecting Affordable Mortgages for Veterans Act of 2019*. This bill was introduced on a bipartisan basis by Representatives David Scott (D-GA), Lee Zeldin (R-NY), Mike Levin (D-CA) and Andy Barr (R-KY). H.R. 1988 is very similar to H.R. 6737 from the 115th Congress, which was passed by voice vote last September in the House of Representatives.

As you are well aware, the *Economic Growth, Regulatory Relief, and Consumer Protection Act* (Public Law 115-174) was signed by President Trump last May. 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 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 Public Law 115-174, which provides the new requirements that must be met for a refinanced 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, combined with at least six monthly payments by the borrower.

The calculation of the 210-day seasoning period in Section 309(a), however, deviated from well-understood seasoning requirements already in place through directives issued by Ginnie Mae. The new requirements of Section 309(a) begin the seasoning period on the date on which the first payment *is made* by the borrower. In many situations, the lender offering the refinance cannot know this date with certainty—particularly if the lender is not the servicer of the initial loan. H.R. 1988 fixes this problem by beginning the 210-day seasoning period on the first payment *due date* of the initial loan, which will allow lenders greater compliance certainty and better ensure that loans are not erroneously pooled into Ginnie Mae securities.

Whereas Section 309(a) of Public Law 115-174 provides loan seasoning requirements that must be met for refinance loans to obtain a VA guaranty, Section 309(b) provides loan seasoning requirements for these loans to serve as collateral for Ginnie Mae securities. However, because there was no effective date provided in the legislation as enacted, this provision took effect immediately and resulted in an unintended negative consequence for a cohort of VA loans originated in the spring of 2018. 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. The impact of this problem will be felt even more severely when loans that were pooled into Ginnie Mae securities need to be bought out of these pools.

H.R. 1988 addresses 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. 1988 would also provide the added benefit of ensuring the Ginnie Mae eligibility of re-performing VA refinance loans that were bought out of pools as servicers considered loss mitigation options.

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,

A handwritten signature in black ink, appearing to read "Bill Killmer", with a long horizontal flourish extending to the right.

Bill Killmer
Senior Vice President, Legislative and Political Affairs

cc: All Members: Committee on Financial Services, Committee on Veterans Affairs