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MORTGAGE BANKERS ASSOCIATION

May 19, 2015

The Honorable Richard Shelby
Chairman
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Shelby:

On behalf of the Mortgage Bankers Association (MBA), I am writing to commend your efforts in drafting the *Financial Regulatory Improvement Act of 2015*, which the Senate Banking Committee is scheduled to consider on May 21.

MBA has evaluated the mortgage related provisions of Titles I and VII of this legislation and believe it provides important regulatory relief to the housing market, removes some of the impediments that currently limit access to mortgage financing for creditworthy borrowers, and implements several important transition steps to improve and enhance secondary mortgage market activities going forward. We remain hopeful that the Committee will be able to reach bipartisan consensus on many of these important issues.

MBA strongly supports Section 118 of the bill, which seeks to eliminate employment barriers for loan originators by amending the SAFE Mortgage Licensing Act of 2008 to grant permission for states to provide a 120-day transitional license for mortgage loan officers who move from a depository to a non-depository institution or from one state to another.

Section 706 of the bill seeks to direct the housing Government Sponsored Enterprises (GSEs) to engage in a variety of “front-end” transactions in which the GSEs cede “first loss” risk to the private sector to a greater degree. MBA strongly supports these efforts, but believes the language in this provision should be modified to permit a variety of different risk sharing methods to be tested, including the use of both capital market structures and private mortgage insurance products alike. In particular, “first loss” risk sharing efforts could be used if they are either “fully funded” or “adequately capitalized by qualified counterparties.” MBA looks forward to working with you and other Senators to further refine this section of the bill as it moves forward.

While MBA prefers a holistic fix for the current Qualified Mortgage (QM) standard, one that avoids exemptions based solely on the basis of business model or regulatory charter type, we agree that certain aspects of the QM could be modified to recognize the alignment of lender and borrower interests in portfolio lending, as long as other parameters and consumer protections of the QM are retained to protect against the re-emergence of loans with risky features such as pay option ARMs, stated-income underwriting, and short-term balloon terms.

MBA further believes that any portfolio exemptions from the QM should also be extended to originators, including non-banks, that process, fund and sell these loans to a bank (or REIT) that will retain the loans in portfolio. We are pleased that Section 106 of the bill incorporates many of MBA’s recommendations, and we again look forward to further dialogue regarding this provision as the bill proceeds towards further consideration.

MBA is also pleased to see the following other provisions included within the bill:

- An enforcement safe harbor for good faith efforts to comply with the forthcoming TILA/RESPA integrated disclosure rule, and a removal of the 3-day waiting period under that rule if the only change is a reduction in the borrower's interest rate;

- Language requiring the Federal Housing Finance Agency to withdraw its proposed Federal Home Loan Bank membership rule;

- Language to increase access to the financing of manufactured homes;

- A study on the impact of recent changes in the regulatory environment on mortgage servicing rights;

- A section prohibiting the Secretary of the Treasury from disposing of or liquidating any outstanding shares of senior preferred GSE stock unless Congress passes and the President signs a bill providing otherwise,

- A prohibition on the use of increased GSE guarantee fees for purposes other than housing; and,

- Requirements that the Common Securitization Platform move more quickly towards completion with a broadened mandate to include non-GSE use.

In short, we appreciate your efforts in crafting the *Financial Regulatory Improvement Act of 2015,* and believe that these outlined portions of the legislation will go a long way toward removing many of the barriers and regulatory burdens that have been affecting the ability of consumers to obtain mortgage credit.

Sincerely,

David H. Stevens
President and CEO

cc: The Honorable Sherrod Brown, Ranking Member
All members of the Senate Banking Committee