

April 13, 2015

Dear Representative,

The undersigned organizations request that you vote for H.R. 685, the Mortgage Choice Act, when the House of Representatives considers the bill following the recess. The House Financial Services Committee passed H.R. 685 by a 43-12 vote on March 26. This is the same bill that the House passed twice on the suspension calendar last year; first by voice vote and again as part of a package of bills with more than a 2/3 vote.

H.R. 685 is bipartisan legislation introduced by Representatives Bill Huizenga (R-MI), Gregory Meeks (D-NY), Ed Royce (R-CA), David Scott (D-GA), Steve Stivers (R-OH), Mike Doyle (D-PA), David Joyce (R-OH), Betty McCollum (D-MN), Stephen Fincher (R-TN), and Patrick Murphy (D-FL). It makes two adjustments to the Truth in Lending Act's definition of "points and fees" to ensure greater consumer choice in mortgage and settlement services under the CFPB's 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 of the rule is that a QM loan's points and fees cannot exceed 3% of the loan amount. But under the current QM rule, what constitutes a "fee" or a "point" varies greatly depending on the consumer's choice of a particular lender and title insurance provider. If a consumer chooses a title insurance provider affiliated with the lender, the consumer's title insurance charges count towards the 3% cap. But if a consumer chooses an unaffiliated title insurance provider, the title charges do not count towards the 3% cap. In addition, escrowed homeowner's insurance premiums may count as "points and fees" because of a drafting ambiguity. Including title insurance charges or escrowed homeowner's insurance premiums in the 3% cap can cause many loans—especially those sought by low- and moderate-income consumers—to fail the QM test. As a result, many otherwise-qualified borrowers cannot obtain a QM loan if they use the lender and title insurance providers of their choice.

By clarifying the QM rule's definition of points and fees, H.R. 685 will enhance competition in the mortgage and title insurance markets and will ensure that consumers have greater access to mortgage credit and will be able to choose the lenders and title providers best suited for their individual needs.

We urge you to vote for H.R. 685 when the House considers this legislation.

Sincerely,

The Community Mortgage Lenders of America
Consumer Mortgage Coalition
Credit Union National Association
Leading Builders of America
The Mortgage Bankers Association
National Association of Federal Credit Unions
National Association of Home Builders
The National Association of REALTORS®
The Realty Alliance
Real Estate Services Providers Council, Inc. (RESPRO®)