

Civil Rights Organization Letters re: Mortgage Choice Act

National Association for the Advancement of Colored People,

Washington, DC, June 9, 2014

Re NAACP Strong Opposition to H.R. 3211, the Mortgage Choice Act of 2013

Members,

Dear Representative: On behalf of the NAACP, our nation's oldest, largest and most widely-recognized grassroots-based civil rights organization, I strongly urge you to oppose H.R. 3211, the Mortgage Choice Act of 2013, which is scheduled to come before you under suspension of the rules later today. This ill-conceived legislation would reopen the door to the higher fees borrowers faced in the lead-up to the recent mortgage crisis; higher fees, which for decades, were sadly targeted at specific demographics including African Americans and other racial and ethnic minority homebuyers. As a result, communities of color are still suffering disproportionately from the foreclosure crisis. On behalf of the constituency served and represented by the NAACP, I urge you in the strongest terms possible to vote against H.R. 3211 and to be reminded by our nation's past experiences and not to create the types of incentives to predatory lenders that will repeat the lending abuses which led to the ruination of so many families.

H.R. 3211 would weaken the consumer protections of Qualified Mortgage loans as established by the Dodd-Frank Wall Street Reform and Consumer Protection Act by legislating exceptions to the 3 percent points and fees threshold. These exceptions include exempting title insurance paid to a company affiliated with a lender from counting toward the 3 percent cap. The approach taken in this bill leaves the door open for abuses that were typical in the recent subprime crisis. Our specific concerns about mortgage insurance are based on the fact that lenders have historically steered borrowers to overpriced title insurance. Consumers do not, and essentially cannot, shop for this product, so this is a broken market where competition does not function to drive down prices. One result of this practice is that title insurance prices are vastly inflated. The opaque pricing and sales system for title insurance leaves borrowers without information or leverage to get a better price.

Again, I urge you in the strongest terms possible, to oppose H.R. 3211, the Mortgage Choice Act of 2013, and to vote against it if it does indeed come before you under a suspension of the rules later today. Many of our communities across our nation are still suffering from the foreclosure crisis which continues to decimate too many American families. We need to learn from and correct our past mistakes, not open the door to repeating them. Thank you for considering the concerns of the NAACP. Should you have any questions or comments on the NAACP position, please feel free to contact me at (202) 463-2940.

Sincerely,
Hilary O. Shelton,
Director, NAACP Washington Bureau & Senior Vice President for Policy and Advocacy.

Coalition Letter re: Mortgage Choice Act

October 17, 2013.

Dear Member of Congress, we are writing to urge you to oppose H.R. 3211 and any Senate companion bill, which reopens the door to the higher fees borrowers faced in the lead up to the mortgage crisis. Specifically, this bill creates loopholes that would allow loans with higher costs to improperly meet the Qualified Mortgage (QM) standard established in the Dodd-Frank Wall Street Reform and Consumer Protection Act. Congress should refrain from weakening the Qualified Mortgage standard and reject this bill. Due to a broken market, title insurance fees are grossly inflated--less than 10 cents is paid out in claims for each \$1 of premiums, and title insurance adds \$1,000 or more to the upfront costs of many mortgages. In other words, almost the entirety of a title insurance premium goes to commissions, not insurance coverage. The QM protections represent appropriate steps to directly address recent problems without impacting access to credit.

The mortgage reforms in Title XIV of Dodd-Frank were put in place as a direct response to the deceptive and unsound mortgage lending practices and products that put borrowers into risky, high-cost loans they could not understand or afford. Many of these inflated loans were made in communities of color and low-income communities, where the effects of the recent economic collapse are ongoing. The Ability to Repay provision requires all lenders to reasonably determine whether a mortgage is affordable for the borrower. Lenders can demonstrate their compliance with the Ability to Repay requirement by originating loans that meet the bright line tests in the Qualified Mortgage definition. One such bright line is a limit on "points and fees"--which account for a loan's origination costs--that exceed 3 percent of the loan amount. This borrower protection prevents loans with more expensive origination costs from gaining QM status.

H.R. 3211 would weaken the consumer protections of QM loans by legislating exceptions to the 3 percent points and fees threshold. These exceptions include exempting title insurance paid to a company affiliated with a lender from counting toward the 3 percent cap. The approach taken in this bill, which is misleadingly named the Mortgage Choice Act, leaves the door open for abuses that were typical in the recent subprime crisis. During the subprime lending boom, borrowers often paid excessive origination costs; Dodd-Frank's Qualified Mortgage provisions aim at restoring a fair market.

This bill would undermine those rules just as they are about to take effect. Congress passed Dodd-Frank and the Bureau, as directed, has written regulations for Qualified Mortgages and the Ability to Repay requirements. Plans for implementation of the new rules are already underway for the January effective date. Congress should not now second guess a two-year rulemaking process with thoughtful input from a variety of stakeholders with hasty passage of a bill to undermine the protections put in place to prevent the next housing crisis.

There are a number of specific features of the title insurance market which add to our concerns about H.R. 3211

Lenders steer borrowers to overpriced title insurance. Borrowers are responsible for paying title insurance costs, but the price for this product is agreed upon between the lender and the title insurance company. Consumers do not, and essentially cannot, shop for this product, so this is a broken market where competition does not function to drive down prices. The incentives to increase the costs of title insurance paid by borrowers are enhanced when lenders are coordinating with their own affiliates that provide title insurance.

Title insurance prices are vastly inflated. The opaque pricing and sales system for title insurance leaves borrowers without information or leverage to get a better price. As a result, higher prices can be charged with most of the insurance fee going to the sales agent, not to provide coverage for losses. See attached Chart from a GAO study on the title insurance market.

States don't adequately regulate the market. The "file and use" approach employed by many states allows insurers and lenders to push prices up at their own discretion, filing fee hike requests with regulators and then using them with homeowners. There is minimal evaluation as to the appropriateness of fee increases.

Households and communities across the country have yet to recover from the recent subprime lending crisis, and Congress should learn from the past instead of creating incentives to repeat these lending abuses. As a result, the undersigned organizations oppose H.R. 3211 and ask that you not support this bill.

Sincerely,

AFL-CIO, Alliance for a Just Society, Americans for Financial Reform, Center for Economic Justice, Center for Responsible Lending, Connecticut Fair Housing Center, Consumer Action, Consumer Federation of America, Consumers Union, Empire Justice Center, Home Defenders League, The Leadership Conference on Civil and Human Rights, NAACP, National Association of Consumer Advocates, National Consumer Law Center (on behalf of its low income clients), National Council of La Raza, National Fair Housing Alliance, New Economic Project, Public Citizen, Woodstock Institute.



April 13, 2015

**OPPOSE ROLLBACK OF PREDATORY LENDING LAWS
VOTE NO ON H.R. 650 AND H.R. 685**

Dear Representative:

On behalf of The Leadership Conference on Civil and Human Rights, a coalition of more than 200 national civil and human rights organizations, we urge you to oppose H.R. 650 and H.R. 685. These two bills would erode important safeguards against the sorts of predatory lending practices that led to the 2008 economic crisis, and they would harm low-income and minority homeowners who are still trying to get back on their feet.

H.R. 650, the “Preserving Access to Manufactured Housing Act,” would raise the interest-rate and points-and-fees thresholds for mobile home lending under the Home Ownership and Equity Protection Act (HOEPA), which protects consumers from abusive terms in especially high-cost mortgages. Raising these triggers would create new loopholes in HOEPA, eroding vital consumer protections for low-income homeowners and expanding the use of deceptive loans.

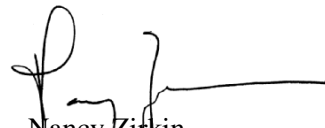
Less than two weeks ago, *The Seattle Times* and The Center for Public Integrity reported on a joint investigation into the manufactured home sales and finance industry. They found the industry’s leader had engaged in “predatory sales practices, exorbitant fees, and interest rates that can exceed 15 percent, trapping many buyers in loans they can’t afford and in homes that are almost impossible to sell or refinance.”ⁱ Instead of clamping down on such abuses, H.R. 650 would reward them and make them even more widespread.

Similarly, H.R. 685, the “Mortgage Choice Act,” would also open the door to new predatory lending practices that Dodd-Frank was meant to eliminate. It would create a new loophole in the CFPB’s Qualified Mortgage rule, by excluding fees paid to lender-affiliated title companies from the rule’s 3 percent cap on points and fees. Exempting these loan fees from the cap would cost borrowers hundreds, if not thousands, of dollars in unforeseen mortgage costs, undermining the purpose of the Qualified Mortgage rule.

Again, we urge you to oppose H.R. 650 and H.R. 685. If you have any questions, please contact either of us or Rob Randhava, Senior Counsel, at (202) 466-3311.

Sincerely,


Wade Henderson
President & CEO


Nancy Zirkin
Executive Vice President

Officers

Chair

Judith L. Lichtman
National Partnership for
Women & Families

Vice Chairs

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National Congress of American Indians
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National Women's Law Center
Chad Griffin
Human Rights Campaign
Linda D. Hallman
AAUW
Mary Kay Henry
Service Employees International Union
Sherrilyn Ifill
NAACP Legal Defense and
Educational Fund, Inc.
Jo Ann Jenkins
AARP
Michael B. Keegan
People for the American Way
Elisabeth MacNamara
League of Women Voters of the
United States
Marc Morial
National Urban League
Mee Moua
Asian Americans Advancing Justice |
AAJC
Janet Murguia
National Council of La Raza
Debra Ness
National Partnership for
Women & Families
Mary Rose Oakar
American-Arab
Anti-Discrimination Committee
Terry O'Neill
National Organization for Women
Priscilla Ouchida
Japanese American Citizens League
Mark Perriello
American Association of
People with Disabilities
Rabbi Jonah Pesner
Religious Action Center
Of Reform Judaism
Anthony Romero
American Civil Liberties Union
Shanna Smith
National Fair Housing Alliance
Richard L. Trumka
AFL-CIO
Randi Weingarten
American Federation of Teachers
Dennis Williams
International Union, UAW

Policy and Enforcement

Committee Chair

Michael Lieberman
Anti-Defamation League

President & CEO

Wade J. Henderson
Executive Vice President & COO
Karen McGill Lawson

ⁱ Mike Baker & Daniel Wagner, “The Mobile-Home Trap: How a Warren Buffett Empire Preys on the Poor,” *The Seattle Times*, April 2, 2015, at <http://bit.ly/1DuYQ64>.



Americans for Financial Reform
1629 K St NW, 10th Floor, Washington, DC, 20006
202.466.1885

March 25, 2015

Dear Representative:

On behalf of Americans for Financial Reform we are writing to urge your opposition to the following bills, many of which would undercut important community protections—the same type of environment that allowed a devastating housing crisis to develop. Others undermine or put barriers in front of the work of the Consumer Financial Protection Bureau (CFPB), and are part of a strategy to weaken the CFPB—and are driven by financial sector interests that want to disrupt the good work the Bureau is doing preventing financial tricks and traps.

Below we briefly discuss each of the bills we oppose.

- H.R. 650, the Preserving Access to Manufactured Housing Act of 2015, would make homeownership more costly for those who can least afford it. It would do this by raising the interest rate and points and fees trigger for protections under the high-cost mortgage protections of HOEPA for manufactured housing loans. This bill would not expand access to sustainable credit, but would strip away protections already created by Congress and implemented by the CFPB. If this bill became law it would permit an interest rate of close to 14% **in todays market** for a 15- or 20-year loan on a family's home mortgage without enhanced protections. In comparison, the going rate for traditional real-estate mortgages is currently around 4%. (See [letter](#) dated Feb. 26, 2015.)
- H.R. 685, the Mortgage Choice Act of 2015, would reintroduce some of the high fees that borrowers faced in the lead up to the mortgage crisis, fees that the new mortgage rules were designed to prevent. It would create a loophole to the 3% points and fees threshold in the Qualified Mortgage (mortgage affordability) rules by excluding fees paid to title insurance companies affiliated with the lender. Increased loan fees would lead to hundreds, if not thousands, of dollars in needless mortgage fee expenses for each borrower on such loans, and encourage further price gouging in an already broken title insurance market. (See [letter](#) dated October 22, 2014.)
- H.R. 1195, the Bureau of Consumer Financial Protection Advisory Boards Act, would direct the CFPB to establish a Small Business Advisory Board. This would add needless regulatory layers to the CFPB's processes, as the CFPB—unlike most regulators—is already required under Dodd-Frank to hold small business review (SBREFA) panels for all rulemakings that would noticeably impact a large number of small financial

institutions. The CFPB is also already required to consider the impact of its rulemakings on small businesses, and it has already established a community bank advisory board.

- H.R. 1259, the Helping Expand Lending Practices in Rural Communities Act, would create a drawn-out petition process that would allow individuals who reside or do business in a state to apply to the CFPB for the designation of an area as rural. Having this designation would allow people and businesses in those areas to circumvent certain mortgage provisions put in place by the CFPB, including Qualified Mortgage rules and the Ability-to-Repay standard. This bill is unnecessary, as the CFPB has already proposed large expansions in the designation of rural areas. Moreover, the petition process created by this legislation would be unnecessarily complex, and subject to arbitrariness. What areas are rural and underserved should be determined by a data driven process, not individual pleading.
- H.R. 1265, the Bureau Advisory Commission Transparency Act, would unnecessarily constrain the CFPB's ability to engage useful advisory committees. The CFPB is already following FACA procedures. CFPB advisory board meetings are conducted in public and include opportunities for public comment. Documents made available to the board, as well as minutes and transcripts of the meetings, are made available to the public.
- H.R. 1408, the Mortgage Servicing Asset Capital Requirements Act of 2015, would delay a portion of new capital rules applied by prudential regulators. The legislation would apply to all banks except for the largest eight in the U.S., meaning that it would lead to a delay in strengthened capital positions for large regional banks with trillions of dollars in assets. Excessive bank leverage was a major contributor to the global financial crisis and we do not believe Congress should intervene to weaken new rules that strengthen controls on bank borrowing.
- H.R. 1529, the Community Institution Mortgage Relief Act of 2015, would exempt option ARM and other dangerous loans from ability to repay requirements. It would also remove the protection of required escrow accounts from loans that currently have that protection. The CFPB recently responded to community bank concerns by proposing a large expansion in the community bank portfolio loans that will receive QM status. This bill goes far beyond that expansion and authorizes unsustainable lending.
- We oppose H.R. 601, the Eliminate Privacy Notice Confusion Act. In 2014, the CFPB finalized amendments to Regulation P which provide for alternative web delivery methods for certain privacy notices. The CFPB rule preserves privacy protections for consumers while lowering burdens on firms. Conversely H.R. 601 eliminates important disclosures that help consumers understand how their information is used without their consent. Further, the provisions of H.R. 601 do not apply only to community banks, but also to megabanks.

A number of the bills discussed above would help return us to an environment of predatory lending, irresponsible underwriting, and excessive fees that paved the way for our recent

devastating housing crisis. Some would undermine the work of the CFPB to ensure that consumers are protected from abusive lending, and others would dilute privacy or systemic protections. We urge you to oppose them.

Sincerely,

Americans for Financial Reform

Following are the partners of Americans for Financial Reform.

All the organizations support the overall principles of AFR and are working for an accountable, fair and secure financial system. Not all of these organizations work on all of the issues covered by the coalition or have signed on to every statement.

- AARP
- A New Way Forward
- AFL-CIO
- AFSCME
- Alliance For Justice
- American Income Life Insurance
- American Sustainable Business Council
- Americans for Democratic Action, Inc
- Americans United for Change
- Campaign for America's Future
- Campaign Money
- Center for Digital Democracy
- Center for Economic and Policy Research
- Center for Economic Progress
- Center for Media and Democracy
- Center for Responsible Lending
- Center for Justice and Democracy
- Center of Concern
- Center for Effective Government
- Change to Win
- Clean Yield Asset Management
- Coastal Enterprises Inc.
- Color of Change
- Common Cause
- Communications Workers of America
- Community Development Transportation Lending Services
- Consumer Action
- Consumer Association Council
- Consumers for Auto Safety and Reliability
- Consumer Federation of America
- Consumer Watchdog
- Consumers Union
- Corporation for Enterprise Development
- CREDO Mobile
- CTW Investment Group
- Demos
- Economic Policy Institute
- Essential Action
- Green America
- Greenlining Institute
- Good Business International

- Government Accountability Project
- HNMA Funding Company
- Home Actions
- Housing Counseling Services
- Home Defenders League
- Information Press
- Institute for Agriculture and Trade Policy
- Institute for Global Communications
- Institute for Policy Studies: Global Economy Project
- International Brotherhood of Teamsters
- Institute of Women's Policy Research
- Krull & Company
- Laborers' International Union of North America
- Lawyers' Committee for Civil Rights Under Law
- Main Street Alliance
- Move On
- NAACP
- NASCAT
- National Association of Consumer Advocates
- National Association of Neighborhoods
- National Community Reinvestment Coalition
- National Consumer Law Center (on behalf of its low-income clients)
- National Consumers League
- National Council of La Raza
- National Council of Women's Organizations
- National Fair Housing Alliance
- National Federation of Community Development Credit Unions
- National Housing Resource Center
- National Housing Trust
- National Housing Trust Community Development Fund
- National NeighborWorks Association
- National Nurses United
- National People's Action
- National Urban League
- Next Step
- OpenTheGovernment.org
- Opportunity Finance Network
- Partners for the Common Good
- PICO National Network
- Progress Now Action
- Progressive States Network
- Poverty and Race Research Action Council
- Public Citizen
- Sargent Shriver Center on Poverty Law
- SEIU
- State Voices
- Taxpayer's for Common Sense
- The Association for Housing and Neighborhood Development

- The Fuel Savers Club
- The Leadership Conference on Civil and Human Rights
- The Seminal
- TICAS
- U.S. Public Interest Research Group
- UNITE HERE
- United Food and Commercial Workers
- United States Student Association
- USAction
- Veris Wealth Partners
- Western States Center
- We the People Now
- Woodstock Institute
- World Privacy Forum
- UNET
- Union Plus
- Unitarian Universalist for a Just Economic Community

List of State and Local Partners

- Alaska PIRG
- Arizona PIRG
- Arizona Advocacy Network
- Arizonans For Responsible Lending
- Association for Neighborhood and Housing Development NY
- Audubon Partnership for Economic Development LDC, New York NY
- BAC Funding Consortium Inc., Miami FL
- Beech Capital Venture Corporation, Philadelphia PA
- California PIRG
- California Reinvestment Coalition
- Century Housing Corporation, Culver City CA
- CHANGER NY
- Chautauqua Home Rehabilitation and Improvement Corporation (NY)
- Chicago Community Loan Fund, Chicago IL
- Chicago Community Ventures, Chicago IL
- Chicago Consumer Coalition
- Citizen Potawatomi CDC, Shawnee OK
- Colorado PIRG
- Coalition on Homeless Housing in Ohio
- Community Capital Fund, Bridgeport CT
- Community Capital of Maryland, Baltimore MD
- Community Development Financial Institution of the Tohono O'odham Nation, Sells AZ
- Community Redevelopment Loan and Investment Fund, Atlanta GA
- Community Reinvestment Association of North Carolina
- Community Resource Group, Fayetteville A
- Connecticut PIRG
- Consumer Assistance Council
- Cooper Square Committee (NYC)

- Cooperative Fund of New England, Wilmington NC
- Corporacion de Desarrollo Economico de Ceiba, Ceiba PR
- Delta Foundation, Inc., Greenville MS
- Economic Opportunity Fund (EOF), Philadelphia PA
- Empire Justice Center NY
- Empowering and Strengthening Ohio's People (ESOP), Cleveland OH
- Enterprises, Inc., Berea KY
- Fair Housing Contact Service OH
- Federation of Appalachian Housing
- Fitness and Praise Youth Development, Inc., Baton Rouge LA
- Florida Consumer Action Network
- Florida PIRG
- Funding Partners for Housing Solutions, Ft. Collins CO
- Georgia PIRG
- Grow Iowa Foundation, Greenfield IA
- Homewise, Inc., Santa Fe NM
- Idaho Nevada CDFI, Pocatello ID
- Idaho Chapter, National Association of Social Workers
- Illinois PIRG
- Impact Capital, Seattle WA
- Indiana PIRG
- Iowa PIRG
- Iowa Citizens for Community Improvement
- JobStart Chautauqua, Inc., Mayville NY
- La Casa Federal Credit Union, Newark NJ
- Low Income Investment Fund, San Francisco CA
- Long Island Housing Services NY
- MaineStream Finance, Bangor ME
- Maryland PIRG
- Massachusetts Consumers' Coalition
- MASSPIRG
- Massachusetts Fair Housing Center
- Michigan PIRG
- Midland Community Development Corporation, Midland TX
- Midwest Minnesota Community Development Corporation, Detroit Lakes MN
- Mile High Community Loan Fund, Denver CO
- Missouri PIRG
- Mortgage Recovery Service Center of L.A.
- Montana Community Development Corporation, Missoula MT
- Montana PIRG
- New Economy Project
- New Hampshire PIRG
- New Jersey Community Capital, Trenton NJ
- New Jersey Citizen Action
- New Jersey PIRG
- New Mexico PIRG
- New York PIRG
- New York City Aids Housing Network

- New Yorkers for Responsible Lending
- NOAH Community Development Fund, Inc., Boston MA
- Nonprofit Finance Fund, New York NY
- Nonprofits Assistance Fund, Minneapolis M
- North Carolina PIRG
- Northside Community Development Fund, Pittsburgh PA
- Ohio Capital Corporation for Housing, Columbus OH
- Ohio PIRG
- OligarchyUSA
- Oregon State PIRG
- Our Oregon
- PennPIRG
- Piedmont Housing Alliance, Charlottesville VA
- Michigan PIRG
- Rocky Mountain Peace and Justice Center, CO
- Rhode Island PIRG
- Rural Community Assistance Corporation, West Sacramento CA
- Rural Organizing Project OR
- San Francisco Municipal Transportation Authority
- Seattle Economic Development Fund
- Community Capital Development
- TexPIRG
- The Fair Housing Council of Central New York
- The Loan Fund, Albuquerque NM
- Third Reconstruction Institute NC
- Vermont PIRG
- Village Capital Corporation, Cleveland OH
- Virginia Citizens Consumer Council
- Virginia Poverty Law Center
- War on Poverty - Florida
- WashPIRG
- Westchester Residential Opportunities Inc.
- Wigamig Owners Loan Fund, Inc., Lac du Flambeau WI
- WISPIRG

Small Businesses

- Blu
- Bowden-Gill Environmental
- Community MedPAC
- Diversified Environmental Planning
- Hayden & Craig, PLLC
- Mid City Animal Hospital, Pheonix AZ

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