



**National Association
of Federal Credit Unions**
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NAFCU | Your Direct Connection to Education, Advocacy & Advancement

June 5, 2014

Ms. Monica Jackson
Office of the Executive Secretary
Bureau of Consumer Financial Protection
1700 G Street NW
Washington, D.C. 20552

RE: Amendments to the 2013 Mortgage Rules Under the Truth in Lending Act (Regulation Z),
Docket No. CFPB-2014-0009

Dear Ms. Jackson:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents federal credit unions, I write to you regarding the Consumer Financial Protection Bureau's (CFPB) Proposed Rule With Request For Public Comment regarding amendments to certain mortgage rules issued in 2013 under the Truth in Lending Act.

In summary, the proposed rule would provide an alternative definition of "small provider" applicable to Internal Revenue Code Section 501(c)(3) nonprofit entities that service loans for a fee and on behalf of other nonprofit entities within the same overall organization. Also for 501(c)(3) nonprofit entities, the proposed rule would exempt certain interest-free, contingent subordinate liens from the credit extension limit under the ability-to-repay requirements. The proposed rule would also provide a limited, post-consummation cure mechanism for loans originated with the good faith expectation of compliance with the requirements for qualified mortgage but that inadvertently exceed the points and fees limit for qualified mortgages.

First and foremost, NAFCU appreciates the CFPB's ongoing efforts to work with industry stakeholders to find opportunities to adjust previously issued mortgage rules and both reduce their burden on providers and enhance their protections for consumers. While NAFCU understands that the CFPB operates under statutory deadlines to implement its regulations, open dialogue with industry stakeholders and the regulatory amendments that result from such dialogue are vital to ensure that rulemaking does not cause a reduction in available credit for consumers.

The proposed rule's alternative definition of "small provider" and exemption of certain subordinate liens would not extend to credit unions, despite the fact that credit unions are nonprofit, member-owned cooperative entities. The proposal notes that the CFPB wanted to limit its application to 501(c)(3) organizations because their "particular constraints on resources," "tax-exempt status ... requir[ing] a formal determination by the government," and "charitable" purpose would help ensure entities would not use their status to evade the servicing rules. NAFCU notes that credit unions meet these criteria. Credit unions' resources are limited to contributions from their defined field of membership; federally insured credit unions must seek approval from their prudential regulator, the National Credit Union

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Administration, in order to operate; and credit unions perform charitable functions through service to low-income areas and expansion of home ownership to those that could not otherwise own a home. Thus, any accommodation made for 501(c)(3) organizations should also apply, at least in part, to credit unions.

NAFCU strongly supports the proposed rule's provision of a limited post-consummation cure mechanism for loans originated with a good-faith expectation of qualified mortgage status that inadvertently exceed the points and fees limit for qualified mortgages. According to an April 2014 survey conducted by NAFCU, 13% of respondents' 2013 mortgage originations would not have met the new qualified mortgage criteria and nearly half of respondents stated that they would cease to originate non-qualified mortgage loans. Credit unions are likely to avoid originating a loan that is close to the points and fees limit due to concerns that the loan will not achieve qualified mortgage status and leave the credit union exposed to potential litigation. A post-consummation cure mechanism will allow credit unions to feel more comfortable originating loans with points and fees close to the qualified mortgage limit, thus expanding the total credit available to consumers.

NAFCU does not believe, however, that the proposed 120-day post-consummation period provides an adequate amount of time for credit unions to review originations and engage in cure procedures. NAFCU accordingly urges the CFPB to replace the 120-day post-consummation period with a period of 60 days from *discovery or notice of the excess points and fees*, not to exceed one year from consummation. Alternatively, NAFCU recommends that the CFPB expand the post-consummation period to 180 days. Consumers would benefit from either of these revisions because of the increased likelihood of securing a refund from originators.

NAFCU appreciates the opportunity to provide our comments. NAFCU will be submitting a separate comment letter, due July 7, 2014, on the request for comments portion of the proposal. In general, NAFCU supports a similar fix or "cure" for the debt-to-income ratio. Further, NAFCU appreciates that the CFPB is looking at adjusting the 500 total first-lien originations limit and continues to maintain that it should be raised.

Should you have any questions or concerns, please feel free to contact me at ameyster@nafcu.org or (703) 842-2272.

Sincerely,



Angela Meyster
Regulatory Affairs Counsel