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National Association of Federal Credit Unions | www.nafcu.org

June 12, 2014

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510

Re: Support and Pass the *Mortgage Choice Act of 2013*, S. 1577/H.R. 3211

Dear Leader Reid and Leader McConnell:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association exclusively representing our nation's federal credit unions, I write today in support of the *Mortgage Choice Act of 2013* (S. 1577/H.R. 3211). This legislation, in the form of H.R. 3211, passed the House by voice vote under suspension of the rules on June 9, 2014. This bipartisan legislation would bring much needed relief to credit unions by altering the definition of points and fees under the Consumer Financial Protection Bureau's "Qualified Mortgage" (QM) rule. On behalf of our nation's credit unions and their 98 million members, we urge you to act swiftly to bring this legislation to the Senate floor and work toward its passage.

As currently defined by the QM rule, "points and fees" include, among other charges, fees paid to affiliated title companies, salaries paid to loan originators, amounts of insurance and taxes held in escrow, loan level price adjustments, and payments by lenders to correspondent banks, credit unions and mortgage brokers in wholesale transactions. What constitutes a "fee" or a "point" towards the 3 percent cap varies greatly. If the borrower chooses a title insurance provider that is affiliated with the lender, the title insurance charges count toward the cap, whereas, if the insurance is purchased from an unaffiliated title agency, the title charges do not. Additionally, homeowners' escrowed insurance premiums may count as "points and fees" due to ambiguous drafting in the law. The inclusion of either title insurance or homeowners' escrowed premiums will cause many loans, including some for low- and moderate-income consumers, to fail the QM test. As a result, many otherwise qualified borrowers will not have access to safe and affordable mortgage credit.

The *Mortgage Choice Act of 2013* would make important changes that would exclude title charges from the "points and fees" definition, and clarify that escrow charges should be excluded from any calculation of "points and fees." These changes would greatly improve the definition of "points and fees" used to determine whether a loan meets the QM test, and would ensure that those with low and moderate means would continue to be able to obtain their mortgages from their credit union at a reasonable price.

Thank you for your consideration and we look forward to working with you to pass the *Mortgage Choice Act of 2013*. Should you have any questions or need additional information, please do not hesitate to contact myself or NAFCU's Director of Legislative Affairs, Jillian Pevo, at 703-842-2836 or jpevo@nafcu.org.

Sincerely,

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the United States Senate