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

December 17, 2013

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: Action is needed on S. 1577, the *Mortgage Choice Act of 2013*

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 to urge Senate action on S. 1577, the *Mortgage Choice Act of 2013*, introduced by Senators Joe Manchin and Mike Johanns. We ask you to support this bipartisan legislation and act on this issue prior to the "ability to repay" provisions from the *Dodd-Frank Wall Street Reform and Consumer Protection Act* taking effect in January 2014.

As currently defined, "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. As a result of this troublesome definition, many affiliated loans would not qualify as Qualified Mortgages (QMs). Non-QM loans would be less likely to be made or would only be available at higher rates due to heightened liability risks. In a September 2013 survey of NAFCU member credit unions, nearly 72% of respondents indicated that they would not make non-QM loans once the new rule goes into effect. Without Congressional action on this issue, consumers would lose the ability to choose to take advantage of the convenience and market efficiencies offered by one-stop shopping.

The *Mortgage Choice Act of 2013* would make important changes that would clarify the "points and fees" definition by excluding title insurance, and clarify that escrow charges for homeowners insurance premiums 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. With the current proposal set to take effect in January, it is important that the Senate act on this fix in a timely manner.

Thank you for your attention to this important matter. We appreciate the opportunity to voice our concerns, and hope you will support and act on S. 1577, 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