



11 October 2018

IMMEDIATE

CONTACT: ED WALLACE, PhD, EXECUTIVE DIRECTOR, 770-330-5176
ROB ZIMMER, EXTERNAL AFFAIRS, 202-494-4551

THE COMMUNITY MORTGAGE LENDERS OF AMERICA ASKS THE SENATE TO CONSIDER
CAREFULLY HOW TO FIX TRANSITIONAL ISSUES FOR VA IRRRL PROGRAM

The Community Mortgage Lenders of America (CMLA) is asking the Senate to fully consider and vet House language recently passed to correct transitional issues, primarily regarding VA Interest Rate Reduction Refinance Loans (IRRRLs), that were orphaned on May 24, 2018, when President Trump signed into law S.2155 - Economic Growth, Regulatory Relief, and Consumer Protection Act which contains several legislative protections for veterans, active-duty personnel, and consumers, including section 309, which largely incorporated the “Protecting Veterans from Predatory Lending Act of 2018.” Section 309(b) of the Act amended section 306(g)(1) of the Ginnie Mae Charter to add the following sentence:

“The Association may not guarantee the timely payment of principal and interest on a security that is backed by a mortgage insured or guaranteed under chapter 37 of title 38, United States Code, and that was refinanced until the later of the date that is 210 days after the date on which the first monthly payment is made on the mortgage being refinanced and the date on which 6 full monthly payments have been made on the mortgage being refinanced.”

When the CMLA read this language initially, there were immediate concerns of unintentional consequences for loans in the pipeline. These concerns prompted an alert to CMLA members to be aware of repercussions with regard to the approved language. Since that time, companies have been unable to rectify outstanding loans and forced to sell them as “scratch and dent” as well as repurchase loans from Ginnie Mae Pools.

In an effort to provide a technical correction to S 2155, the House Financial Services Committee passed by voice vote HR 3767. The CMLA did not oppose this legislation. After negotiations among some stakeholders, not including the VA and broad parts of the industry, the language was changed. The new language struck the language above and replaced it with:



“The Association is authorized to take actions to protect the integrity of its securities from practices that it deems in good faith to represent abusive refinancing activities and nothing in the Protect Affordable Mortgage for Veterans Act of 2018, the amendment made by such Act, or this title may be construed to limit such authority.”

The language change on the House floor was not widely vetted and the CMLA is concerned that this new language is too broad and could empower Ginnie Mae to overrule VA on which refi mortgages ought to be considered safe for pooling into Ginnie securities.

The House bill may be considered for "hotline" in the Senate, which is a process to speed consideration and move legislation on the Senate floor (1) in this case, without going through Committee, and (2) without taking up much Senate floor time, including not holding a chamber vote. Thus, it was possible this new language could be placed into statute without any further opportunity for comment by stakeholders.

The CMLA Board concluded that speeding corrective language through--in part to solve flawed language previously sped through Congress--did not make sense.

“The new language is too broad and could allow future Ginnie Mae leadership to interpret it as it sees fit without taking into account the mission needs of veterans’ and rural lending,” said Ed Wallace, Executive Director of the CMLA.

“As the House Bill now reads, Ginnie Mae has authorization to change what is acceptable without any parameters. The language is so open, if Ginnie Mae determines seasoning requirements need to be 5 years for a VA loan, they have the authority to demand repurchases on any loans which do not meet that criteria. I know that is a stretch, but the reality is, that is the way the Bill reads.”

“We are asking the Senate to step back and allow some time for the best language to be presented with input from the industry and the VA. We want to fix the VA IRRRL problem, but also do it the right way without adverse repercussions to the industry.”