

December 7, 2017

Dear Representative:

The undersigned organizations oppose H.R. 3971, the so-called “Community Institution Mortgage Relief Act of 2017.” This bill would create loopholes for abuse by rolling back essential consumer protections and inappropriately extending to larger institutions the carefully tailored exemptions that currently apply to community banks and other small institutions. The bill expands an existing exemption from the Real Estate Settlement Procedures Act (RESPA) for small mortgage servicers from those servicing 5,000 loans held in portfolio or in that of the affiliate to those servicing 20,000 loans, whether or not held in portfolio. It also pries open the carefully tailored Truth in Lending Act rule that exempts small lenders from the obligation to establish escrow accounts for higher-priced mortgages as long as they are held in portfolio for three years. Lenders with up to \$10 billion in assets would be exempt, a significant increase from the current \$2 billion threshold.

The Consumer Financial Protection Bureau’s regulations address many questionable practices that contributed to the collapse of the housing market. Such practices were widespread in the mortgage servicing industry. The Consumer Bureau’s mortgage servicing rules generally apply to servicers across the board, while providing a narrow exemption for small servicers. This exemption minimizes the regulatory compliance burden on small servicers. Expanding the current exemptions to larger institutions, however, opens the door to abuses by larger servicers primarily doing business outside the communities where they are based and by non-bank servicers, which often service risky, subprime mortgage loans.

Additionally, the bill’s escrow exemption is overly broad and contrary to the lessons of the recent financial crisis. Escrow accounts protect consumers by ensuring that they have funds for reoccurring homeownership-related expenses, such as property taxes and insurance premiums. Pursuant to the Dodd-Frank Act, the Consumer Bureau implemented clear rules establishing a minimum period of time for which escrows must be held for higher-priced mortgages. The Bureau also specified an exemption to the escrow requirement for small creditors operating predominately in rural and underserved areas. A broader exemption threatens to upend the carefully balanced current regulations designed to help consumers stay in their homes and avoid the likelihood of default—which happens all too often where escrow protections are unavailable. It undermines this consumer safeguard by allowing larger and possibly less-community-focused lenders, with sufficient financial resources, to make higher-priced mortgages without requiring an escrow. The justification for the escrow exemption is that the requirement is a burden on small institutions; this argument does not apply where the threshold is raised to apply to larger lenders.

This bill would harm consumers, investors, and the public by exposing them to known abuses. We urge your office to reject this harmful bill.

Sincerely,

Allied Progress  
American Federation of State, County and Municipal Employees (AFSCME)  
Americans for Financial Reform  
Center for Responsible Lending  
Consumer Action  
NAACP  
National Association of Consumer Advocates  
National Consumer Law Center (on behalf of its low-income clients)  
National Fair Housing Alliance  
U.S. PIRG  
Woodstock Institute  
Public Counsel (CA)  
Housing and Economic Rights Advocates (CA)  
Connecticut Fair Housing Center (CT)  
Jacksonville Area Legal Aid, Inc. (FL)  
Public Justice Center (MD)  
Long Island Housing Services, Inc. (NY)  
Center for NYC Neighborhoods (NY)  
HomeSmartNY (NY)  
Philadelphia Unemployment Project (PA)