

# Repeal Dodd-Frank? S.2155 - Not Really



# Senate Dodd-Frank Bill in Play S.2155

- 101 - Gift to Community Banks and Credit Unions - No QM for portfolio mortgages
- 102 - Rural Appraisals - 3 appraisers that cannot do it for 5 days -
- 105 - Credit Union Residential Loans - 1-4 units and business loans
- 106 - Transitional Licensing - Bank to Lender or Broker and State to state
- 109 - No three day wait to close if the lender lowers the rate



# More Provisions S.2155

- Credit bureaus must give consumers the right without limit or charge to freeze and unfreeze their credit file.
- Members of the military are entitled to free credit monitoring, though the credit bureaus do get protection from class action liability for providing this free monitoring.
- Medical debts by veterans are exempt from inclusion in a credit file.
- Fannie and Freddie are required to consider and validate alternative credit scoring models. This relates to VantageScore push into mortgage market.

# CFPB has issued 11 requests for information—RFIs

- **Bureau’s Civil Investigative Demands**
- **Administrative adjudications**
- **Enforcement processes**
- **Supervision processes**
- **Complaint reporting**
- **External engagement strategies**
- **Rulemaking process**
- **Rules issued by the Bureau**
- **Rules the Bureau inherited when created**
- **Guidance and implementation support and consumer education**
- **Consumer complaints and inquiries**

## CFPB Request for Information on how to streamline regulations.

- CFPB can remove lender paid compensation from the 3% QM Rule
- Change definition of Loan Originator to not include Mortgage Broker Companies
- Write rules on homebuilder incentives to borrowers

## **Qualified Mortgage -- Points and Fees.**

This also could move on its own or as part of a broader QM revamp.

- The idea is to raise from \$103,000 the size of loans that are exempt from QM's 3% limit on points and fees.
- The purpose of the 3% limit is to ensure that points and fees do not consume a borrower's equity. But does nothing for expenses pushed into the mortgage rate.
- The problem has been for smaller loans as it sharply limits the amount of cash available to pay for the closing.
- We see room for the mortgage threshold to be set at \$200,000, which would then be periodically adjusted for inflation.

- **Qualified Mortgage Rule.** This cannot go away without legislation.
- On the regulatory side, the CFPB has broad powers to define what QM means.
- Most Likely - automatically exempt from QM any loan sold to Fannie, Freddie or a Federal Home Loan Bank, which under some plans can act as an aggregator of mortgages for sale to Fannie/Freddie or to be securitized via Ginnie Mae.
- This goes beyond the current QM exemptions for GSE mortgages, which expire in 2022.
- Most likely - CFPB will exempt from QM mortgages that a bank keeps in portfolio, which goes beyond what is in the Senate regulatory relief bill. Our view is that this would apply to all banks regardless of size.
- Most Likely - CFPB is likely to allow a loan to qualify as QM even if one factor -- such as high DTI -- falls outside the QM definition. Expand the credit box.

- **Qualified Mortgage — Income Verification.** CFPB broader overhaul of QM Rule. Part of this is in appendix Q of the rule.
- **Most Likely** - Relief on when part-time income can be considered, though expect an overall simplification of the rule.
- **Helpful to the market** - Lenders are more receptive to borrowers who work multiple jobs or have irregular sources of income.