

114TH CONGRESS
2D SESSION

H. R. 5907

To preserve competition among mortgage lenders, provide relief from unnecessary regulatory requirements on responsible community mortgage lenders, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 14, 2016

Mr. WILLIAMS introduced the following bill; which was referred to the
Committee on Financial Services

A BILL

To preserve competition among mortgage lenders, provide relief from unnecessary regulatory requirements on responsible community mortgage lenders, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Community Mortgage
5 Lender Regulatory Act of 2016”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

1 (1) Responsible community mortgage lenders
2 engaged in traditional mortgage lending were not re-
3 sponsible for the recent mortgage crisis.

4 (2) Responsible community mortgage lenders
5 provide a valuable and critical service to consumers
6 by, among other things, fulfilling the housing fi-
7 nance needs of the communities they serve and pro-
8 viding locally based alternative sources for mortgage
9 financing.

10 (3) The activities and business practices of re-
11 sponsible community mortgage lenders do not pose
12 a substantial risk to consumers, and did not pose a
13 substantial risk to consumers when the Dodd-Frank
14 Wall Street Reform and Consumer Protection Act
15 was enacted.

16 (4) Responsible community mortgage lenders
17 are subject to the oversight and control of various
18 governmental authorities and nongovernmental ac-
19 tors, including the Bureau of Consumer Financial
20 Protection, the Department of Housing and Urban
21 Development, the Federal Trade Commission, State
22 supervisory regulators, local government supervisory
23 regulators, mortgage loan investors, warehouse lend-
24 ers, and various other authorities or entities. As a
25 result of this oversight and control, the business

1 practices and activities of responsible community
2 mortgage lenders are safe, transparent to the public
3 and the government, and do not pose a threat to
4 consumers, the public at large, the United States fi-
5 nancial markets, or the United States economy in
6 general.

7 (5) Responsible community mortgage lenders
8 are unreasonably burdened by increasing regulation
9 geared to problems that they did not create and ac-
10 tivities that they did not and do not engage in, and
11 therefore responsible community mortgage lenders
12 are entitled to relief from certain provisions of the
13 Dodd-Frank Wall Street Reform and Consumer Pro-
14 tection Act and its attendant regulations, including
15 the regulations of the Bureau of Consumer Finan-
16 cial Protection.

17 (6) Without relief many responsible community
18 mortgage lenders will be driven from the market
19 thus limiting the consumer's ability to choose a local
20 lender for mortgage financing and dangerously con-
21 solidating the mortgage lending market into a small-
22 er number of lenders.

23 (7) The preservation of responsible community
24 mortgage lenders is critical to preserving competition

1 and preventing increasing concentration in mortgage
2 lending.

3 (8) The Bureau of Consumer Financial Protec-
4 tion should prioritize its resources and ability to
5 carry out examinations by creating reasonable exclu-
6 sions for smaller, responsible mortgage lenders.

7 **SEC. 3. DEFINITIONS.**

8 (a) IN GENERAL.—Section 1002 of the Consumer Fi-
9 nancial Protection Act of 2010 (12 U.S.C. 5481) is
10 amended by adding at the end the following:

11 “(30) COMMUNITY MORTGAGE LENDER.—The
12 term ‘community mortgage lender’ means a lender—

13 “(A) who—

14 “(i) in the case of a depository insti-
15 tution or credit union—

16 “(I) has assets of less than
17 \$2,000,000,000; and

18 “(II) originated fewer than
19 25,000 mortgage loans in the pre-
20 ceding calendar year or originated a
21 gross mortgage loan origination vol-
22 ume of less than \$5,000,000,000 in
23 the preceding calendar year; or

24 “(ii) in the case of a person other
25 than a depository institution—

1 “(I) has net worth of less than
2 \$50,000,000; and

3 “(II) originated fewer than
4 25,000 mortgage loans in the pre-
5 ceding calendar year or originated a
6 gross mortgage loan origination vol-
7 ume of less than \$5,000,000,000 in
8 the preceding calendar year; and

9 “(B) had mortgage loan originations in the
10 preceding three calendar years that consisted of
11 95 percent qualified mortgages when measured
12 by either—

13 “(i) the number of mortgage loans
14 originated; or

15 “(ii) the dollar volume of mortgage
16 loans originated.

17 “(31) RESPONSIBLE COMMUNITY MORTGAGE
18 LENDER.—The term ‘responsible community mort-
19 gage lender’ means a community mortgage lender
20 who has not been found by a court of competent ju-
21 risdiction to have violated the law, or been subject
22 to a cease and desist order, relating to its mortgage
23 loan originations—

24 “(A) during the preceding two years; or

1 “(B) since such person began originating
2 mortgage loans, if such period is less than two
3 years.

4 “(32) MORTGAGE LOAN.—The term ‘mortgage
5 loan’ means a loan secured by a first lien on a 1–
6 4 unit family residence.

7 “(33) QUALIFIED MORTGAGE.—The term
8 ‘qualified mortgage’—

9 “(A) has the meaning given that term
10 under section 129C(b)(2) of the Truth in Lend-
11 ing Act; and

12 “(B) includes loans insured, guaranteed, or
13 administered by—

14 “(i) the Department of Housing and
15 Urban Development, with regard to mort-
16 gages insured under the National Housing
17 Act (12 U.S.C. 1707 et seq.);

18 “(ii) the Department of Veterans Af-
19 fairs, with regard to a loan made or guar-
20 anteed by the Secretary of Veterans Af-
21 fairs;

22 “(iii) the Department of Agriculture,
23 with regard to loans guaranteed by the
24 Secretary of Agriculture pursuant to sec-

1 tion 502(h) of the Housing Act of 1949
 2 (42 U.S.C. 1472(h)); and
 3 “(iv) the Rural Housing Service, with
 4 regard to loans insured by the Rural Hous-
 5 ing Service.”.

6 (b) TREATMENT OF THE QUALIFIED MORTGAGE RE-
 7 QUIREMENT DURING CALENDAR YEAR 2016.—For pur-
 8 poses of computing mortgage loan originations under sec-
 9 tion 1002(30)(B) of the Consumer Financial Protection
 10 Act of 2010 during calendar year 2016, such computation
 11 shall be based only on the preceding two calendar years
 12 instead of the preceding three calendar years.

13 **SEC. 4. PRIORITIZATION OF BUREAU EXAMINATION AND**
 14 **ENFORCEMENT AUTHORITY RESOURCES.**

15 (a) IN GENERAL.—The Consumer Financial Protec-
 16 tion Act of 2010 (12 U.S.C. 5481 et seq.) is amended by
 17 inserting after section 1031 the following:

18 **“SEC. 1031A. EXCLUSION RELATING TO RESPONSIBLE COM-**
 19 **MUNITY MORTGAGE LENDERS.**

20 “(a) LIMITATIONS OF EXAMINATION OF RESPON-
 21 SIBLE COMMUNITY MORTGAGE LENDERS.—Except as
 22 permitted in subsection (b), the Bureau may not conduct
 23 any audit, examination, or investigation of, or take an en-
 24 forcement against, a responsible community mortgage
 25 lender.

1 “(b) REFERRALS BY OTHER AGENCIES.—The Bu-
 2 reau may conduct an audit, examination, or investigation
 3 of, or take an enforcement action against, a responsible
 4 community mortgage lender if requested by—

5 “(1) a State or local regulator;

6 “(2) a Federal department or agency that guar-
 7 antees mortgage loans originated, held, or serviced
 8 by such lender;

9 “(3) the Federal Housing Finance Agency or
 10 entities supervised by such Agency; or

11 “(4) any other Federal department or agency
 12 that exercises supervisory authority over such lender.

13 “(c) RULE OF CONSTRUCTION.—Nothing in this sec-
 14 tion shall be construed as modifying, limiting, or super-
 15 seding the operation of any provision of Federal or State
 16 law, or otherwise affecting the authority of any Federal
 17 or State department or agency other than the Bureau.”.

18 (b) CLERICAL AMENDMENT.—The table of contents
 19 under section 1(b) of the Dodd-Frank Wall Street Reform
 20 and Consumer Protection Act is amended by inserting
 21 after the item relating to section 1031 the following:

“Sec. 1031A. Exclusion relating to responsible community mortgage lenders.”.

22 **SEC. 5. STREAMLINED VENDOR AUDITS.**

23 (a) IN GENERAL.—The Consumer Financial Protec-
 24 tion Act of 2010 (12 U.S.C. 5481 et seq.), as amended

1 by section 4(a), is further amended by inserting after sec-
 2 tion 1031A the following:

3 **“SEC. 1031B. VENDOR AUDIT REQUIREMENTS RELATING TO**
 4 **RESPONSIBLE COMMUNITY MORTGAGE**
 5 **LENDERS.**

6 “(a) VENDOR AUDITS.—The Bureau and the appro-
 7 priate Federal banking agencies may only require a re-
 8 sponsible community mortgage lender to perform an audit
 9 of a vendor or third-party contractor of the lender if the
 10 Bureau or the appropriate Federal banking agency, as ap-
 11 plicable, has reasonable cause to believe that such vendor
 12 or third-party contractor is performing services for the
 13 lender in a manner that is causing the lender to violate
 14 the law.”.

15 (b) CLERICAL AMENDMENT.—The table of contents
 16 under section 1(b) of the Dodd-Frank Wall Street Reform
 17 and Consumer Protection Act, as amended by section
 18 4(b), is further amended by inserting after the item relat-
 19 ing to section 1031A the following:

“Sec. 1031B. Vendor audit requirements relating to responsible community
 mortgage lenders.”.

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