EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

November 17, 2015
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 1210 — Portfolio Lending and Mortgage Access Act
(Rep. Barr, R-KY, and 54 cosponsors)

As a result of the Ability-to-Repay rules issued by the Consumer Financial Protection Bureau, pursuant to the Truth in Lending Act, American consumers are protected against harmful mortgage products and abusive lending practices that were common in the run-up to the 2008 financial crisis. Among other protections, the Consumer Financial Protection Bureau's Qualified Mortgage (QM) rule requires a lender to make a good faith effort to determine that a borrower has the ability to repay a mortgage, and that the loan does not include excessive upfront points and fees. The final rule also contains special provisions and exemptions that are available only to small lenders or to small lenders that operate predominantly in rural or underserved areas.

H.R. 1210 would broaden the definition of qualified mortgages – those that qualify for the safe harbor – to include all mortgages held on a lender's balance sheet. Under the bill, depository institutions that hold a loan in portfolio would receive a legal safe harbor even if the loan contains terms and features that are abusive and harmful to consumers. The bill would limit the right of borrowers to file claims against holders of such loans and against mortgage originators who directed them to the loans. H.R. 1210 also would open the door to risky lending by allowing balloon loans made in any geographic area to qualify for the safe harbor as long as they are held in portfolio.

The Administration strongly opposes this bill because it would undermine critical consumer protections by exempting all depository financial institutions, large and small, from QM standards—including very basic standards like verifying a consumer's income—as long as the mortgage loans in question are held in portfolio by the institution. This bill would undermine the essential protections provided under the Qualified Mortgage rule. The Congressional Budget Office estimates that the mortgages offered legal protections under the bill would likely default at a greater rate than the qualified mortgages with current legal protections.

For these reasons, if the President were presented with H.R. 1210, his senior advisors would recommend that he veto the bill.

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