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

April 13, 2015
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 685 — Mortgage Choice Act of 2015
(Rep. Huizenga, R-Michigan, and 37 cosponsors)

The Administration strongly opposes H.R. 685, which would weaken key consumer protections and provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

A fundamental component of Wall Street Reform is its requirement that lenders, before extending mortgage loans, make reasonable, good faith determinations that mortgage borrowers have the ability to repay the loans. The law provides lenders with protection from liability under this requirement if their loans satisfy certain clear criteria and thus are "Qualified Mortgages." One of the criteria is that the up-front costs ("points and fees") not exceed three percent of the total loan amount. During the housing bubble, many lenders front-loaded mortgage loans with points and fees and therefore had less incentive to determine a borrower's ability to repay. Moreover, excessive, front-loaded points and fees contributed to predatory lending behavior, "steering" borrowers into more expensive mortgage loans.

H.R. 685 would revise the Truth in Lending Act to allow certain charges to be excluded from the definition of points and fees even when the lender or its affiliates receives the fees. By exempting certain fees from the three percent cap, H.R. 685 would allow lenders to increase the cost of loans and still be eligible for "Qualified Mortgage" treatment. This revision risks eroding consumer protections and returning the mortgage market to the days of careless lending focused on short-term profits.

Because H.R. 685 would weaken key consumer protections and provisions of the Dodd-Frank Wall Street Reform Act, if the President were presented with H.R. 685, his senior advisors would recommend that he veto the bill.

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