

115TH CONGRESS  
1ST SESSION

# H. R. 1964

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

APRIL 5, 2017

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 2017”.

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 Section 1002 of the Consumer Financial Protection  
9 Act of 2010 (12 U.S.C. 5481) is amended by adding at  
10 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 **SEC. 4. PRIORITIZATION OF BUREAU EXAMINATION AND**  
7 **ENFORCEMENT AUTHORITY RESOURCES.**

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

11 **“SEC. 1031A. EXCLUSION RELATING TO RESPONSIBLE COM-**  
12 **MUNITY MORTGAGE LENDERS.**

13           “(a) LIMITATIONS OF EXAMINATION OF RESPON-  
14 SIBLE COMMUNITY MORTGAGE LENDERS.—Except as  
15 permitted in subsection (b), the Bureau may not conduct  
16 any audit, examination, or investigation of, or take an en-  
17 forcement action against, a responsible community mort-  
18 gage lender.

19           “(b) REFERRALS BY OTHER AGENCIES.—

20                   “(1) IN GENERAL.—The Bureau may conduct  
21 an audit, examination, or investigation of, or take an  
22 enforcement action against, a responsible community  
23 mortgage lender if requested by—

24                   “(A) a State or local regulator;

1           “(B) a Federal department or agency that  
2           guarantees mortgage loans originated, held, or  
3           serviced by such lender;

4           “(C) the Federal Housing Finance Agency  
5           or entities supervised by such Agency; or

6           “(D) any other Federal department or  
7           agency that exercises supervisory authority over  
8           such lender.

9           “(2) EXCEPTION.—Paragraph (1) shall not  
10          apply to a responsible community mortgage lender  
11          that is a depository institution or a credit union.

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

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

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

21       **SEC. 5. STREAMLINED VENDOR AUDITS.**

22          (a) IN GENERAL.—The Consumer Financial Protec-  
23          tion Act of 2010 (12 U.S.C. 5481 et seq.), as amended  
24          by section 4(a), is further amended by inserting after sec-  
25          tion 1031A the following:



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

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

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

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

○