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National Association of Federally-Insured Credit Unions

August 10, 2020

Comment Intake
Bureau of Consumer Financial Protection
1700 G Street NW
Washington, DC 20552

RE: Qualified Mortgage Definition Extension of Sunset Date (RIN 3170-AA98)

Dear Sir or Madam:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I am writing in response to the Bureau of Consumer Financial Protection's (Bureau or CFPB) notice of proposed rulemaking regarding the extension of the sunset date for the qualified mortgage (QM) definition under the *Truth in Lending Act* (TILA). NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 121 million consumers with personal and small business financial service products. We appreciate the Bureau's willingness to consider an extension of the Temporary Government-Sponsored Enterprises (GSE) QM loan (Temporary GSE loan or GSE Patch). NAFCU requests the Bureau extend the sunset date of the GSE Patch an additional 18 to 24 months, at a minimum, to avoid market disruptions and to account for the impacts due to the COVID-19 pandemic.

Currently, the GSE Patch expires on January 10, 2021 or upon the GSEs exiting conservatorship, whichever occurs first. Under the proposal, the GSE Patch sunsets upon the effective date of the final rule regarding the General QM loan definition, which may not be affording the proper timeframe for the credit union industry to prepare. An extended sunset date will provide the Bureau sufficient time to finalize the General QM loan definition, minimize market disruptions, and account for the impacts due to the COVID-19 pandemic.

Due to the pandemic, credit unions have made every effort to assist their members to cope with economic uncertainties. These efforts include offering forbearances and loan modifications, waiving fees, and offering low or no-interest loans. Credit unions re-allocated staff to provide emergency loans and ensure members and small businesses in their communities had access to credit. Credit unions made these efforts while simultaneously dealing with branch closures and various state restrictions in terms of limiting credit union operations. Currently, many NAFCU members are not able to re-open completely and the timing is inconsistent across states. NAFCU members continue to focus on serving their members as the pandemic continues, including meeting market demands.

NAFCU members reported moderate to major increases in mortgage loan demand as an impact of the COVID-19 pandemic. Given this increased demand, NAFCU members should be focusing on serving their members, including providing loans under the GSE Patch. The Bureau should provide sufficient time for the industry to move away from providing loans under the GSE Patch. Credit unions have been operating under the current regime for nearly a decade and there will be expenses incurred in updating systems, policies, and procedures. Given that the amount of loans sold to the GSEs has not decreased, failing to extend the patch affects a large segment of the mortgage industry.

Credit unions frequently sell a sizeable portion of their loan portfolios to the GSEs. According to NAFCU's 2018 *Federal Reserve Meeting Survey*, 32.4 percent of members sell to either Fannie Mae or Freddie Mac, and 22.5 percent sell to both GSEs. Additionally, respondents reported that 59 percent of their outstanding first mortgage loans qualified to be sold to the GSEs. According to NAFCU's 2019 *Federal Reserve Meeting Survey*, this figure remained the same in 2019. In addition, over 26 percent of respondents reported that they anticipated selling a larger portion of their loans to the secondary market, which represented an 11 percent increase from the previous year. Moreover, as evidenced by the Bureau's data and the fact that the amount of GSE Patch loans has not decreased as anticipated, and extension of the GSE Patch is warranted to mitigate adverse effects on credit unions.

Adverse effects could include a reduction of mortgage originations, hurting members and the local communities in which they live and work; only further increasing racial and socioeconomic disparities across the country. The COVID-19 pandemic has disproportionately impacted communities of color, and those same communities who may benefit from the higher allowable DTI under the GSE Patch will be harmed without an extension. Prior to the pandemic, credit unions reported that they have not yet moved away from originating loans under the GSE Patch due, in part, to the substantial operational burden in updating underwriting systems. In addition, some credit unions had not yet moved to originating only General QM loans because the members they serve do not meet the threshold required. The pandemic has likely stalled efforts in moving away from originating only General QM loans, as efforts have been focused elsewhere.

The proposed sunset date is still dependent upon the finalization of the General QM Loan definition rulemaking, although the Bureau anticipates that this will not occur before April 2021. Previously, NAFCU advocated for an implementation period of 18-24 months, with a sunset date of the GSE Patch at least until the effective date of the General QM Loan definition. With the pandemic's continued uncertainty and unknown economic effects, it would be in the best interest of the Bureau, credit unions, and consumers to extend the sunset date. An extended implementation period is necessary to allow for proper implementation of the General QM loan definition. Credit unions need sufficient time to update systems and work with vendors to develop, test, and install new software systems. In addition, adequate time to train staff members on new requirements is necessary as well as time to educate members on product offerings.

NAFCU appreciates the opportunity to share its members' views on this matter. To ease the transition and mitigate market disruptions, an 18 to 24-month extension of the GSE Patch is

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necessary. Should you have any questions or require additional information, please do not hesitate to contact me at (703) 842-2249 or kschafer@nafcu.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Kaley Schafer". The signature is fluid and cursive, with the first name "Kaley" being more prominent than the last name "Schafer".

Kaley Schafer

Senior Regulatory Affairs Counsel