February 25, 2013

Monica Jackson
Office of the Executive Secretary
Bureau of Consumer Financial Protection
1700 G Street, NW
Washington, DC 20552

Subject: Proposed Amendments to the Ability to Repay Standards under the Truth in Lending Act,
Docket No. CFPB–2013–0002 --- RIN 3170–AA34

Dear Ms. Jackson:

The following comments are being submitted by NeighborWorks America in response to the Consumer Financial Protection Bureau’s proposed amendments to the Ability to Repay Standards under the Truth in Lending Act (Regulation Z), as published in the Federal Register on January 10, 2013.

These comments reflect the views of NeighborWorks America’s management, and do not necessarily represent the views of its board members, either collectively or as individuals.

Support for the Proposed Exemptions:

NeighborWorks America welcomes the CFPB’s recognition of the important contribution made by nonprofit lenders, such as NeighborWorks America’s 235+ local community-based nonprofit affiliates, to the housing and mortgage industry.

NeighborWorks America also appreciates the recognition of the contributions made by loan programs of Housing Finance Agencies, Community Development Financial Institutions; downpayment assistance through secondary financing providers; and Community Housing Development Organizations.

NeighborWorks America further appreciates the CFPB for recognizing the regulatory burden that could be imposed upon small, community-based nonprofits organizations. NeighborWorks America therefore urges the CFPB to proceed with the proposed Qualified Mortgage exemption of 501(c)(3) nonprofit organizations and the other proposed exempted organizations from the Ability to Repay Standards under the Truth in Lending Act.

NeighborWorks America believes the CFPB's proposed exemptions are a reasonable approach, which balances the protection of consumers with the need for an appropriate level of regulation of the mortgage market -- without creating a loophole that could allow sham nonprofits and unscrupulous or irresponsible lenders to avoid the Qualified Mortgage requirements.
Request for further consideration of the proposed "fewer than 100 loans" limit

There is one area of the proposed exemption of nonprofits which NeighborWorks America would respectfully request the CFPB to reconsider -- and that is the provision that: "... the exemption is available only if the creditor extended credit secured by a dwelling no more than 100 times in the previous year ..." [emphasis added]

In our discussions with others regarding this proposed exemption, there seems to be some level of confusion as to whether the 100 loan limit is intended to apply only to first mortgages, or to all loans.

Many NeighborWorks organizations will fall into one of the other exempt categories as CHDOs or CDFIs, but some may not. And, while local and regional NeighborWorks organizations do not typically lend in a manner that would fall outside the requirement for a Qualified Mortgage, some of our affiliates may from time to time provide loans to assist first time homebuyers in targeted neighborhoods, or provide down payment and closing cost assistance in targeted communities, or provide energy upgrade loans (which might go to a higher debt-to-income ratio, but would involve energy savings for the homeowner) that might fail to meet the Qualified Mortgage test.

It is important to recognize that all first-mortgage loans provided by local NeighborWorks organizations are accompanied by homeownership education and counseling, and NeighborWorks customers are always thoroughly informed of their options for mortgage financing, and the cost.

NeighborWorks America has a 30+ year history of facilitating lending to underserved borrowers – including lower income families, borrowers with impaired credit and others who would not normally qualify for a conventional mortgage.

By providing quality pre-purchase homeownership education and counseling, financial capability training and working with borrowers to improve their credit rating, improve their budgeting, and commit to a savings plan (including Individual Development Accounts and other vehicles), NeighborWorks organizations have repeatedly demonstrated over the years that they are able to prepare foreclosure-resistant borrowers and achieve sustainable homeownership.

NeighborWorks America also knows that homeowners’ odds of success are increased even further when they have access to post-purchase counseling and homeowner education -- which is also provided by NeighborWorks organizations.

We therefore believe the CFPB should:

1. Clarify whether the proposed 100 loan limit is intended to apply to first mortgages only, or to other subordinate loans also.
If the intent is for the proposed 100 loan limit to apply to all loans, including second and third mortgages, we would encourage the CFPB to increase the proposed loan limit to 500 loans;

2. Add the following category for exemption: The non-profit is a chartered member of the NeighborWorks Network; and

3. Mandate that the non-profit requires pre-purchase counseling with every first mortgage loan, which complies with the "National Industry Standards for Homeownership Education and Counseling".

Background Information Regarding NeighborWorks America:

NeighborWorks America was established by Congress in 1978 as the Neighborhood Reinvestment Corporation. The Corporation receives a direct annual federal appropriation. The corporation’s Board of Directors is made up of senior representatives of the federal financial regulatory agencies (the Federal Reserve; the Federal Deposit Insurance Corporation; the Comptroller of the Currency; the National Credit Union Administration) and the Secretary of HUD.

The primary mission of NeighborWorks America is to expand affordable rental and homeownership opportunities and to strengthen distressed urban, suburban and rural communities across America, working through a national network of local community-based organizations, known collectively as the NeighborWorks network.

The NeighborWorks network includes more than 235 nonprofit organizations, serving urban, suburban and rural communities across the United States -- in all 50 States, the District of Columbia and the Commonwealth of Puerto Rico.

In FY 2012 alone, the NeighborWorks network generated more than $4.6 billion in direct reinvestment in distressed communities across the nation, and helped more than 305,000 low- and moderate-income families purchase and preserve their homes, or live in safe, decent rental housing.

Closing Comment:

NeighborWorks America would like to thank the CFPB for its efforts to eliminate abuses within the mortgage industry, and for its consideration of these comments.

Please feel free to contact me, or Steven Tuminaro, Director of Public Policy and Legislative Affairs (at 202-220-2415 or stuminaro@nw.org) for any clarification of these comments.

Sincerely,

Eileen Fitzgerald
Chief Executive Officer