Nov. 12, 2019

The Honorable Maxine Waters
United States House of Representatives
Washington, DC 20510

Re: H.R. 2445, Self-Employed Mortgage Access Act of 2019 (Support)

Dear Chairwoman Waters:

We write in support of the Amendment in the Nature of a Substitute to H.R. 2445, the Self-Employed Mortgage Access Act of 2019. This bill will promote lending to home mortgage borrowers who are self-employed by expanding options for how lenders can document income and expenses to several government-backed programs while accessing the presumption of compliance available under the Dodd-Frank ability to repay requirements.

Under the Dodd-Frank amendments to the Truth in Lending Act, mortgage lenders are required to reasonably evaluate a borrower's ability to repay a mortgage loan. If a loan meets certain established standards, that loan is considered a "Qualified Mortgage," and brings with it a legal presumption that the lender has complied with the ability to repay requirement. The regulations establish a safe harbor irrebuttable presumption for conventional and "near prime" loans and a rebuttable presumption for more expensive loans in the subprime market. As part of the Qualified Mortgage requirements, lenders must verify and document income and ensure the loan does not exceed an established debt-to-income ratio. Rules for how to assess income and expenses are set out in the Bureau's "Appendix Q" in its ability to repay regulations. These guidelines primarily apply where a homeowner is self-employed. Appendix Q establishes one set of rules, defined in the regulation, for measuring income and expenses in such circumstances.

H.R. 2445 broadens the range of options for lenders seeking to document income and expenses for self-employed mortgage borrowers. By directing the Consumer Financial Protection Bureau to amend the Truth in Lending Act regulation on the Qualified Mortgage, it permits lenders to rely either on Appendix Q or on government-insured or government-backed loan program specifications for measuring income and expenses. This change would provide greater flexibility to lenders while ensuring that homeowners are evaluated based on recognized, sustainable standards.

Sincerely,

Center for Responsible Lending
National Consumer Law Center (on behalf of its low-income clients)