

Regular Session, 2013

HOUSE CONCURRENT RESOLUTION NO. 143

BY REPRESENTATIVES HAZEL, ANDERS, ARNOLD, BARRAS, BERTHELOT, CARMODY, CHANEY, FANNIN, GUINN, HOWARD, KATRINA JACKSON, JOHNSON, JONES, MONTOUCET, JAY MORRIS, ORTEGO, PONTI, PUGH, REYNOLDS, RICHARD, RITCHIE, ROBIDEAUX, SEABAUGH, SHADOIN, AND ST. GERMAIN AND SENATORS BUFFINGTON, CORTEZ, GUILLORY, JOHNS, KOSTELKA, LONG, MARTINY, MILLS, NEVERS, PEACOCK, RISER, GARY SMITH, THOMPSON, AND WALSWORTH

CONGRESS: Memorializes congress to give "qualified mortgage" status to balloon loans held in portfolio by a bank and urges and requests the Consumer Financial Protection Bureau to expand the definition of "rural" for such mortgages

1 A CONCURRENT RESOLUTION

2 To memorialize the United States Congress to take such actions as are necessary to give
3 "qualified mortgage" status to all balloon loans held in portfolio by a bank and to
4 urge and request the Consumer Financial Protection Bureau to expand the definition
5 of "rural" for balloon loan qualified mortgages.

6 WHEREAS, the Consumer Financial Protection Bureau recently released its "ability-
7 to-repay" rule as mandated by the federal Dodd-Frank Wall Street Reform and Consumer
8 Protection Act of 2010, which was passed by the United States Congress; and

9 WHEREAS, the "ability-to-repay" rule provides specific criteria for mortgage
10 lenders to follow in order to make a good faith determination that a borrower has the ability
11 to repay his mortgage loan; and

12 WHEREAS, as part of the rule, the Consumer Financial Protection Bureau created
13 "qualified mortgages" which are mortgages with characteristics that are presumed to be in
14 compliance with the "ability-to-repay" rule; and

15 WHEREAS, loans designated as "qualified mortgage" loans give lenders important
16 legal protections by deeming those loans to have complied, or giving them a presumption
17 of compliance, with the borrower "ability-to-repay" requirements contained in the Dodd-
18 Frank Act; and

1 WHEREAS, mortgage loans made that do not receive the "qualified mortgage" status
2 will be subject to increased scrutiny and subject those lenders making them to increased
3 potential liability, possibly causing many lenders to stop making nonqualified mortgage
4 loans; and

5 WHEREAS, it is vitally important that the Consumer Financial Protection Bureau
6 and the United States Congress adopt proper criteria for qualified mortgage loans to ensure
7 that lenders continue to make certain loans and to avoid a potential decrease in access to
8 credit for some consumers that may already have few credit options and that want and need
9 certain loan features; and

10 WHEREAS, Louisiana bankers, especially in rural areas, are very concerned with
11 the narrow "qualified mortgage" designation provided by the Consumer Financial Protection
12 Bureau for balloon loans held in portfolio by the bank and the effect this narrow definition
13 will have on customers; and

14 WHEREAS, for various reasons, many consumers do not qualify for loans that can
15 be sold into the secondary market and a balloon loan made and held in portfolio by the local
16 bank may be one of the only options for those consumers; and

17 WHEREAS, community banks have prudently, consistently, and historically made
18 balloon loans in order to serve the specific needs of customers; and

19 WHEREAS, balloon loans held in portfolio by a bank are generally acknowledged
20 as very safely underwritten loans with lower default rates than other loans because the bank
21 making the loan retains all of the credit risk; and

22 WHEREAS, the Consumer Financial Protection Bureau "ability-to-repay" rule
23 provides that beginning January, 2014, only banks predominately in rural or underserved
24 areas can qualify for balloon loan qualified mortgages; and

25 WHEREAS, only nineteen parishes in Louisiana will likely be considered "rural"
26 areas under the definition used by the Consumer Financial Protection Bureau; and

27 WHEREAS, as provided in the Consumer Financial Protection Bureau definition,
28 parishes excluded are those in metropolitan statistical areas, or micropolitan statistical areas
29 adjacent to a metropolitan statistical area, as those terms are defined by the United States
30 Office of Management and Budget; and

1 WHEREAS, the Consumer Financial Protection Bureau commentary states that
2 counties (parishes) included in the definition of "rural" will only result in nine and seven
3 tenths percent of the United States population being included in the definition; and

4 WHEREAS, if the United States Congress and the Consumer Financial Protection
5 Bureau do not act to broaden the definition of "rural" currently being used in the rules, many
6 bank customers in Louisiana could be negatively impacted by diminished access to credit.

7 THEREFORE, BE IT RESOLVED that the Legislature of Louisiana does hereby
8 memorialize the United States Congress to take such actions as are necessary to give
9 "qualified mortgage" status to all balloon loans held in portfolio by a bank and to urge and
10 request the Consumer Financial Protection Bureau to expand the definition of "rural" for
11 balloon loan qualified mortgages.

12 BE IT FURTHER RESOLVED that a copy of this Resolution be transmitted to the
13 presiding officers of the Senate and the House of Representatives of the Congress of the
14 United States of America, to each member of the Louisiana congressional delegation, and
15 to the director of the Consumer Financial Protection Bureau.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Hazel

HCR No. 143

Memorializes the U.S. Congress to take such actions as are necessary to give "qualified mortgage" status to all balloon loans held in portfolio by a bank and urges and requests the Consumer Financial Protection Bureau to expand the definition of "rural" for balloon loan qualified mortgages.