

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

A CONCURRENT RESOLUTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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SPEAKER OF THE HOUSE OF REPRESENTATIVES

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PRESIDENT OF THE SENATE