



Consumer Financial  
Protection Bureau

1700 G Street, N.W., Washington, DC 20552

December 9, 2013

The Honorable Sherrod Brown  
United States Senate  
713 Hart Senate Office Building  
Washington, DC 20510

Dear Senator Brown:

Thank you for your letter concerning the implementation of our mortgage rules and their impact on manufactured housing loans. I appreciate the opportunity to address the issue with you and your colleagues.

The Consumer Financial Protection Bureau's (Bureau) mortgage rules were designed to restrict specific practices and foster a thriving, more sustainable marketplace. As you know, the Bureau finalized several mortgage rules in January 2013. Among these rules, the Ability-to-Repay rule protects consumers from irresponsible mortgage lending by requiring that lenders generally make a reasonable, good-faith determination that prospective borrowers have the ability to repay their loans. The mortgage servicing rules establish strong protections for homeowners facing foreclosure, and the loan originator compensation rules address certain practices that incentivized steering borrowers into risky or high-cost loans. The Bureau also finalized rules that strengthened consumer protections for high-cost mortgages and instituted a requirement that escrow accounts be established for a minimum of five years for certain higher-priced mortgage loans.

These mortgage rules will be extremely important in addressing some of the most serious problems that had undermined the mortgage market during the financial crisis. Congress established specific deadlines for certain rules it required the Bureau to write, and the effective dates reflect these deadlines.

In September 2013, the Bureau finalized amendments and clarifications to its January 2013, mortgage rules in order to help industry comply and to better protect consumers. In this process, effort was made to further address manufactured housing loans and facilitate compliance. For retailers of manufactured homes and their employees, the

revisions clarify what compensation must be counted toward certain thresholds for points and fees under the Ability-to-Repay and high-cost mortgage rules. The revisions also clarify when employees of manufactured housing retailers may be considered loan originators.

The final high-cost mortgage rule does provide more relaxed treatment for “smaller-sized manufactured home loans” that are secured by liens on personal property. The CFPB provided the same accommodation that Congress prescribed in this respect. In so doing, as in its approach to all of its rulemakings under title XIV of the Dodd-Frank Act, the Bureau has remained mindful of the need to ensure that regulations do not unduly restrict access to credit in any market, including manufactured housing.

The Bureau has met jointly with representatives from the manufactured housing industry and consumer advocates. Following that meeting, the Bureau requested additional data from a larger set of manufactured housing lenders to gain a more complete understanding of their concerns regarding the potential effects of this as well as other rules on the market for manufactured home loans. The Bureau will evaluate the information it receives, but it must not prejudge any future decisions. For that reason the Bureau has not committed, and cannot commit, to making any further modifications to the rules it has adopted.

The Bureau has also embarked on an implementation plan to prepare mortgage businesses for the rules that take effect next January. To that end, we published plain-language compliance guides that will be updated as necessary. We launched a series of videos explaining our rules. We worked closely with the other financial regulators to develop examination guidelines that reflect a common understanding of what the rules do and do not require, which were published well in advance of the effective date.

We understand this poses a challenge for industry. Oversight of the new mortgage rules in the early months will be sensitive to the progress made by those lenders and servicers who have been squarely focused on making good-faith efforts to come into substantial compliance on time – a point that we have also been discussing with our fellow regulators. It is critical that we move forward so these rules can provide new protections for consumers and provide certainty that the industry has been seeking. Rest assured that we will continue to monitor the situation closely for any evidence of significant impact on this segment of the mortgage market.

Thank you again for taking the time to share your concerns with me. I look forward to working with you on the important consumer financial protection issues that impact the constituents that you represent.

Sincerely,

*Richard*

Richard Cordray  
Director

*We will keep in touch with representatives from the industry, share your interest and concerns, and are glad to hear your further thoughts as we go — Rich*

Cc: The Honorable John Boozman, United States Senator  
The Honorable Mark Pryor, United States Senator  
The Honorable Thad Cochran, United States Senator  
The Honorable Joe Manchin, United States Senator  
The Honorable Lamar Alexander, United States Senator  
The Honorable Joe Donnelly, United States Senator  
The Honorable Bob Corker, United States Senator  
The Honorable Jay Rockefeller, United States Senator  
The Honorable Roger Wicker, United States Senator  
The Honorable Pat Toomey, United States Senator

*Notably, Goldman Sachs has now run an analysis and concluded that, had our new rules been in place then, a full 50% of the loans that defaulted to bring about the financial crisis would not have been made — Rich*