CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 9, 2018

H.R. 2226
Portfolio Lending and Mortgage Access Act

As ordered reported by the House Committee on Financial Services on January 18, 2018

Under current law, a “qualified mortgage” has certain characteristics designed to make it more affordable than some other types of loans. Eligible borrowers are presumed to be able to repay amounts owed, and lenders are provided certain legal protections when issuing such mortgages. H.R. 2226 would amend the Truth in Lending Act to deem residential mortgages qualified mortgages if certain criteria are met regarding the financial institution that originates and retains them, the terms of the loans, and the interest and fees charged for those loans.

Using information from the Consumer Financial Protection Bureau (CFPB), CBO estimates that enacting H.R. 2226 would increase direct spending by $1 million in 2019 for the agency to issue rules to implement the changes required under the bill. Because enacting H.R. 2226 would affect direct spending, pay-as-you-go procedures apply. Enacting the bill would not affect revenues.

CBO estimates that enacting H.R. 2226 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2028.

H.R. 2226 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA).

The bill would impose a private-sector mandate by eliminating an existing right of action against lenders that hold residential mortgages on their balance sheets and against mortgage originators that direct consumers to such loans. Under current law, lenders of mortgages that meet the standards for qualified mortgages are granted legal protection from civil actions based on a claim that the lender failed to comply with ability-to-repay requirements. Mortgage originators who direct consumers to qualified mortgages are also granted such legal protections. By broadening the definition of qualified mortgages to include loans held on a lender’s balance sheet, the bill would limit the right of borrowers to file claims against holders of such loans and against mortgage originators who directed them to the loans, as long as the originator provided certain disclosures. The cost of the mandate would be the forgone value of the awards and settlements in such claims. Using information from the CFPB, CBO expects that the number of such claims and the awards in such cases would be small. Therefore, CBO estimates that the cost of the mandate would probably fall below the annual threshold established in UMRA for private-sector mandates ($156 million in 2017, adjusted annually for inflation).

The CBO staff contacts for this estimate are Stephen Rabent (for federal costs) and Jon Sperl (for mandates). The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.