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September 6, 2017

Michael Bright
Acting President and Chief Operating Officer
Ginnie Mae
425 3rd Street SW
Washington, D.C. 20024

Dear Mr. Bright:

As you know, Ginnie Mae is responsible for approving companies who wish to use Ginnie Mae to securitize mortgages backed by U.S. Department of Veterans Affairs (VA). Securing the approval of Ginnie Mae allows these companies to issue a security that is backed by the full faith and credit of the federal government – and accordingly, American taxpayers. I am concerned that Ginnie Mae-approved companies may be aggressively marketing VA refinance mortgages that benefit them but harm veterans and the American taxpayers responsible for guaranteeing Ginnie Mae securities.

The Consumer Financial Protection Bureau (CFPB) has expressed concern about the marketing of VA refinance mortgages. In November 2016, the CFPB issued a report noting that it had received "over 12,500 mortgage complaints from servicemembers, veterans, and their dependents," and that "approximately 14% (about 1,800) of servicemember mortgage complaints concern[ed] the topic of refinance."[1] The CFPB noted that it received "many complaints from veterans who believe they are being targeted with aggressive solicitations by lenders to refinance using one of the VA programs,"[2] and that "the solicitations they receive are potentially misleading."[3]

In addition to the CFPB report, market analysts have noted that certain VA mortgage servicers are significantly more likely to "churn" loans[4] – that is, successfully solicit an existing VA borrower to refinance her mortgage – and that the "share of 'churning' servicers on the newer [Ginnie Mae] pools remains fairly high."[5] These high churn rates could reflect the aggressive marketing tactics highlighted in the CFPB report.

In light of these data, I respectfully request that you answer the following questions by September 22, 2017:

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[1] CFPB, *A Snapshot of Servicemember Complaints* (Nov. 2016), at 1, available at http://files.consumerfinance.gov/f/documents/112016_cfpb_OSA_VA_refinance_snapshot.pdf.
[2] Id. at 3.
[3] Id. at 4.
[4] J.P. Morgan, *Securitized Products Weekly* (Aug. 25, 2017), at 9 (identifying the churning servicers as "New Day, Freedom, Lakeview, Loan Depot, Carrington, Pacific Union, and Money Source").
[5] Id. at 8.

1. Do you believe there are any Ginnie Mae-approved companies who are taking advantage of the VA refinancing options to aggressively market and "churn" refinance loans, generating fees for themselves at the potential expense of borrowers?

2. If so, what impact does such churning have on Ginnie Mae securities? Who bears the cost of any effect on these securities?

3. What steps has Ginnie Mae taken to address these concerns? What further steps can Ginnie Mae take to address concerns about VA refinancing marketing and churning?

I hope that you will commit to working with me – and with other relevant federal agencies – to help ensure that veterans are protected from financial exploitation and that taxpayers are not bearing additional risks or costs because of lenders misusing VA refinance programs.

Sincerely,

Elizabeth Warren

Elizabeth Warren
Ranking Member
Senate Subcommittee on
Financial Institutions and Consumer Protection

Cc:
The Honorable David J. Shulkin, M.D.
Secretary
U.S. Department of Veterans Affairs
810 Vermont Avenue NW
Washington, DC 20420

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1275 First Street NE
Washington, DC 20002