

Protecting Veterans from Predatory Lending Act of 2018

The U.S. Department of Veterans Affairs (VA) provides taxpayer-backed insurance to certain mortgages for veterans. According to data provided by Ginnie Mae – the government corporation responsible for approving lenders to securitize VA-backed mortgage – and a November 2016 [report](#) from the Consumer Financial Protection Bureau (CFPB), certain VA lenders are aggressively urging veterans to repeatedly refinance their VA mortgages to pocket hefty refinance fees. Unfortunately, many of these refinances actually put veterans in a worse financial position than their original mortgage.

In September 2017, Senator Warren sent a [letter](#) to Ginnie Mae raising concerns about this problem. Shortly after receiving the Senator's letter, Ginnie Mae [announced](#) a new joint task force with the VA to crack down on lenders who are trying to exploit veterans. While Ginnie Mae has since taken [steps](#) to address this problem, both VA and Ginnie Mae need additional legal authority to stamp out the problem entirely.

The Protecting Veterans from Predatory Lending Act provides this authority by establishing the following requirements:

- A lender may only submit a refinance loan for VA insurance if it certifies that all fees associated with the refinance would be recouped through lower monthly payments within three years;
- A lender may only receive VA insurance for a refinance loan if the refinance loan has a fixed rate 50 basis points lower than the earlier fixed-rate loan (or 200 basis points lower if the new refinanced loan is an adjustable rate mortgage).
- A lender may only receive VA insurance or get a Ginnie Mae guarantee for a refinance loan if the refinance comes more than six months after the initial loan.

In addition, the bill directs Ginnie Mae to provide Congress with a report in one year on liquidity of the Ginnie Mae security. One side effect of these predatory refinance practices is that they undermine the value of the Ginnie Mae security, thereby raising costs for every veteran receiving a VA mortgage. The report would examine whether the bill's new requirements are having the desired effect of increasing the value and liquidity of the Ginnie security.

Finally, the bill requires the VA to issue an annual report on refinance practices in the VA program, including the marketing of VA refinance products. This annual report would allow Congress to more closely monitor developments in this area and determine whether additional improvements are needed.

The Protecting Veterans from Predatory Lending Act has been endorsed by the American Legion and the Veterans for Foreign Wars of the US.