

March 20, 2015

The Honorable Andy Barr  
1432 Longworth House Office Building  
Washington, D.C. 20515

The Honorable Ruben Hinojosa  
2262 Rayburn House Office Building  
Washington, D.C. 20515

Dear Representatives Barr and Hinojosa:

On behalf of the members of the American Bankers Association (ABA), I am writing to express our support for H.R. 1259, the Helping Expand Lending Practices in Rural Communities Act, introduced by Representatives Andy Barr (R-KY) and Ruben Hinojosa (D-TX). This legislation would direct the Consumer Financial Protection Bureau (CFPB) to establish an application process under which a person who lives or does business in a state may apply to have an area designated as a rural area if it has not already been designated as such by the Bureau. This ABA-supported legislation passed the full House last year by voice.

The Dodd-Frank Act provided the CFPB with discretionary authority to exempt certain loans from the qualified mortgage rule. The CFPB has exercised this authority to accommodate community banks that make short-term balloon loans as a means of hedging against interest rate risk. The exemption applies only if, during the preceding calendar year, the creditor extended more than 50 percent of its total covered transactions that provide for balloon payments in one or more counties designated by the Bureau as “rural” or “underserved.” Thus, the definition of rural and underserved is critical and can dramatically affect banks and the communities they serve.

The CFPB has struggled with an appropriate definition as there are dozens of different definitions of “rural” used for various federal government purposes. The CFPB’s original definition of rural—which the Bureau has appropriately put on hold—was far too narrow and was inconsistently applied and would have had a dramatic, negative impact on small lenders and communities.

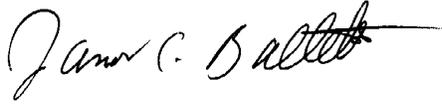
The CFPB acknowledges the narrowness of its original definition of “rural” and the willingness of small portfolio lenders to serve borrowers with specialized needs, as well as the necessity for protection in order for these lenders to continue to make loans meeting these needs.

An appropriate exemption is critical to a bank’s ability to meet their community’s needs. The CFPB has wide discretion in defining “rural and underserved” and it should ensure that any future definition not exclude banks from offering deserving customers access to credit. H.R. 1259 would help to assure that whatever definition of rural is ultimately used by the CFPB, there would be an avenue to apply to the Bureau to extend the definition of rural in those inevitable cases where a county may have been inappropriately excluded.

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We appreciate the leadership of Representative Barr and Hinojosa's bipartisan work on this issue and we urge passage of H.R. 1259.

Sincerely,

A handwritten signature in black ink that reads "James C. Ballentine". The signature is written in a cursive style with a long horizontal flourish extending to the right.

James C. Ballentine