

September 15, 2015

The Honorable Heidi Heitkamp  
United States Senate  
Washington, DC

Dear Senator Heitkamp:

On behalf of the members of the American Bankers Association, I am writing to convey our support for your legislation, S. 1974, the Relationship Lending Preservation Act. Your legislation is a step in the right direction toward recognizing that loans sold to the Federal Home Loan Bank and held in portfolio by the FHLBanks should be given the same treatment afforded to Qualified Mortgages and loans sold to Fannie Mae and Freddie Mac.

ABA has long argued that loans originated by a bank and held in that bank's portfolio should be given Qualified Mortgage status, as the credit and underwriting risk borne by the bank will ensure that the loan is underwritten to high quality standards. Safety and soundness will demand that only loans which can be repaid are held in portfolio, obviating the need for any further QM qualifications. This premise is reflected in legislation included in Senate Banking Committee Chairman Shelby's regulatory relief legislation.

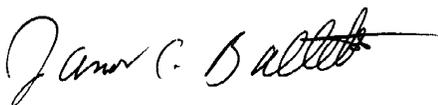
Your bill would extend the same line of reasoning to loans sold to, or participating in the FHLBs' mortgage partnership programs. Like loans held in portfolio by banks, these loans are well underwritten, and safety and soundness concerns will require that the ability of borrowers to repay the loan is well established.

One suggested improvement we offer would be to expand coverage under your bill to all loans sold into the FHLB programs, regardless of the size of the lender. We would note that the underwriting standards applied to loans sold into these programs does not differ for lenders of different asset sizes, and therefore the rationale for different treatment of loans sold by larger institutions is unwarranted.

Again, we appreciate your efforts to expand safe and sound lending opportunities for borrowers, and for recognizing that the loans made by our members and sold to the Federal Home Loan Banks are quality loans which should benefit from better regulatory treatment than is currently provided. Doing so will expand options and lower costs for potential homeowners nationwide.

Thank you for your efforts. We look forward to working with you on this legislation.

Sincerely,



James C. Ballentine

cc: Members of the U.S. Senate