

April 23, 2015

The Honorable Mitch McConnell
Majority Leader
S-230 U.S. Capitol
Washington, D.C. 20510

Dear Majority Leader McConnell:

On behalf of the members of the American Bankers Association (ABA), I am writing to express our strong support for your legislation S. 871, the Helping Expand Lending Practices (HELP) in Rural Communities Act.

This legislation, introduced along with Sens. Dean Heller (R-NV), Shelley Moore Capito (R-WV) and Rand Paul (R-KY), 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. Identical legislation (H.R. 1259) passed the U.S. House of Representatives on April 13 by a vote of 401-1. We are hopeful that S. 871 will also be considered favorably in the Senate.

As you know, 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 for a bank’s ability to meet their community’s needs. The CFPB has made some necessary changes and has wide discretion in defining “rural and underserved.” It should ensure that any future definition will not exclude banks from offering

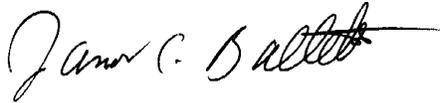
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deserving customers access to credit. S. 871 would help to assure that whatever definition of rural is ultimately used by the CFPB, there would be an avenue to apply to the Bureau to extend the definition of rural in those inevitable cases where a county may have been inappropriately excluded.

ABA is proud to lend our support to this measure that will help consumers in rural communities and we urge passage of S. 871.

Sincerely,

A handwritten signature in black ink, appearing to read "James C. Ballentine", with a long horizontal flourish extending to the right.

James C. Ballentine

cc: Members of the U.S. Senate