

May 6, 2014

To: Members of the Committee on Financial Services

Re: Support for H.R. 2673 and H.R. 4521

The American Bankers Association (ABA) /State Bankers Alliance Regulatory Relief Task Force and the undersigned state bankers associations are pleased to offer our views on H.R. 2673, the Portfolio Lending and Mortgage Access Act and H.R. 4521, the Community Institution Mortgage Relief Act.

By way of background, the ABA/State Bankers Alliance Regulatory Relief Task Force was formed to respond to the serious concerns raised by our mutual members over regulatory restrictions to credit availability. This group comprised of state bankers association executives and ABA is united around our collective efforts to address the regulatory requirements on banks that negatively impact customers. We are pleased that the Committee will be considering these important measures, as both have been a major focus of our task force's recent efforts.

H.R. 2673, introduced by Rep. Andy Barr (R-KY), would deem any loan made by a lender and held in that lender's portfolio as compliant with Ability to Repay (ATR) and Qualified Mortgage (QM) requirements under the Dodd/Frank Act (DFA). Banks have 100% of the repayment risk for loans held in portfolio and the secondary market has no risk since the loans are never sold by the originator. Portfolio loans are, by their very nature, loans which can be repaid; the bank with 100% of the risk would not make them otherwise, and prudential regulators require solid repayment ability for bank safety and soundness reasons.

Critically, this change greatly helps customers hurt by existing restrictions. Banks report daily on the inability to make loans to creditworthy customers, but who don't meet ATR and/or QM requirements. These include low income individuals who don't meet debt-to-income requirements, small business owners and small professional firms that have fluctuating income and have great difficulty (and delay, frustration and expense) to meet the requirement for income verification by a third party, rural residents where there are few or no alternative lenders if a community bank no longer makes mortgage loans due to compliance and risk management issues (primarily legal risk), and more. H.R. 2673 is a common sense solution to fine-tune DFA that will help these customer groups without imposing additional challenges for borrowers and lenders in the lending process. H.R. 2673 is an important and much needed bill and we urge the Committee's support of it.

We are also pleased to lend our support to H.R. 4521, Community Institution Mortgage Relief Act of 2014, introduced by Rep. Blaine Luetkemeyer (R-MO). This legislation would exempt from the escrow requirements imposed under DFA loans held by small creditors with less than \$10 billion in assets. We support the legislation's expansion of the Consumer Financial Protection Bureau's (CFPB) "small servicer" exemption to include servicers that annually service 20,000 or fewer mortgage loans. These important exemptions recognize the strong history of small institutions in providing high-quality mortgage servicing, even with their limited staff and resources. Given their track record, small servicers should be incentivized to continue to service mortgage loans. Unfortunately, existing regulations have the opposite effect. The existing escrow rules we believe are driving small creditors from the mortgage market because it is difficult or impossible for them to provide cost effective

escrow services. Further, many mortgage customers prefer to pay tax and insurance bills on their own and not establish escrow accounts. Without this legislation, customers of smaller institutions will face higher costs to offset the cost of compliance for a service which they do not in some cases even want. Worse, some customers will face fewer credit choices as small local lenders choose to exit the mortgage market rather than incur the added staffing and technical expenses of adding escrow services. We urge committee members to support H.R. 4521.

We thank the members of the Financial Services Committee for addressing these important issues in a bipartisan manner. We look forward to working with you as these bills move to the House floor.

Sincerely,

Alabama Bankers Association
Alaska Bankers Association
Arizona Bankers Association
Arkansas Bankers Association
California Bankers Association
Colorado Bankers Association
Connecticut Bankers Association
Delaware Bankers Association
Florida Bankers Association
Georgia Bankers Association
Hawaii Bankers Association
Heartland Community Bankers
Association
Idaho Bankers Association
Illinois Bankers Association
Illinois League of Financial
Institutions
Indiana Bankers Association
Iowa Bankers Association
Kansas Bankers Association
Kentucky Bankers Association
Louisiana Bankers Association
Maine Bankers Association
Maryland Bankers Association
Massachusetts Bankers Association
Michigan Bankers Association
Minnesota Bankers Association
Mississippi Bankers Association

Missouri Bankers Association
Montana Bankers Association
Nebraska Bankers Association
Nevada Bankers Association
New Hampshire Bankers Association
New Jersey Bankers Association
New Mexico Bankers Association
New York Bankers Association
North Carolina Bankers Association
North Dakota Bankers Association
Ohio Bankers League
Oklahoma Bankers Association
Oregon Bankers Association
Pennsylvania Bankers Association
Puerto Rico Bankers Association
Rhode Island Bankers Association
South Carolina Bankers Association
South Dakota Bankers Association
Tennessee Bankers Association
Texas Bankers Association
Utah Bankers Association
Vermont Bankers Association
Virginia Bankers Association
Washington Bankers Association
West Virginia Bankers Association
Wisconsin Bankers Association
Wyoming Bankers Association