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April 21, 2015

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, D.C. 20510

Dear Leader McConnell:

On behalf of the more than 6,000 community banks represented by ICBA, I write to thank you for introducing the HELP Rural Communities Act of 2015 (S. 871), which would create a process in which individuals could petition the Consumer Financial Protection Bureau (CFPB) to have the rural status of an area reassessed. We are pleased to offer our support for this legislation.

The CFPB's annual designation of "rural" counties is used to administer a number of mortgage rules, including the ability-to-repay rule's restriction on qualified mortgage (QM) balloon loans, which are protected from heightened legal risk. In addition, the rural designation applies to rules relating to escrow requirements for higher-priced mortgage loans, as well as the second appraisal requirement for certain higher-priced mortgage loans.

The CFPB's rural designation has a negative impact on community bank mortgage lending and blocks access to credit for many community bank customers. We support the CFPB's recent proposal to amend this designation to include not only previously designated rural counties, but any census blocks within an MSA county that are not in an urban area as defined by the Census Bureau. The petition process created by S. 871 would help to identify additional rural areas. Most importantly, S. 871 would eliminate the current requirement that a lender operate "predominantly" in rural areas in order to qualify for the balloon loan, escrow, and appraisal accommodations noted above. The "predominantly" limitation effectively excludes the many community banks that operate in both rural and non-rural areas and, as a matter of demographic inevitability, derive most of their mortgage lending volume and higher loan balances from their non-rural markets. Many of these community banks are the only lender in their rural markets where balloon loans are critical to serving customers whose loans cannot be sold into the secondary market.

ICBA believes that any mortgage held in portfolio by a community bank should have safe harbor QM status and be exempt from escrow requirements, including balloon loans in rural and non-rural areas. When lenders hold mortgages in portfolio, they have every incentive to ensure that the mortgage is conservatively underwritten and that the borrower has the ability to repay and to make tax and insurance payments. The "predominantly rural" designation is at the heart of the problem and unless removed will continue to cause confusion and problems for community bank

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mortgage lending. ICBA believes that this problem is best solved by elimination of the “predominantly” limitation and any references to “rural” in the Truth in Lending Act. This is a simple, commonsense fix that will promote the flow of credit in our communities.

Thank you again for introducing S. 871. We look forward to working with you to advance a solution to the problem your legislation seeks to address.

Sincerely,

/s/

Camden R. Fine
President & CEO

CC: Members of the Senate Banking Committee

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