January 14, 2015

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

RE: CFPB's "Unbiased" Mortgage Rate Tool

Dear Director Cordray:

I am writing to you today to express ICBA's concerns regarding the CFPB's Mortgage Rate Tool, which was recently released and the subject of an article in yesterday's American Banker. While ICBA and its community bank members support providing robust information and guidance to all consumers regarding the mortgage process, we are very concerned that the Bureau's "Unbiased Rate Tool" does not adequately represent to consumers mortgage rates and products offered by community banks. Further, based on the CFPB's own comments, the source of the rate data does not even include community banks.

As currently structured, the tool seems to provide rates that are tied to the national secondary market. However, as you know, not all borrowers will qualify for a secondary market loan for a variety of reasons and community banks often fill that gap through unique financing programs. In fact, a portfolio loan from a community bank may be a consumer's best, if not their only option to get a mortgage loan. Portfolio loans are priced based upon the community bank's cost of funds, term, collateral, and payment characteristics and sometimes the higher risks associated with those loans justify higher rates than your rate tools or secondary market surveys might suggest.

The Bureau's rate tool creates the impression that all lenders should offer the same rates for the same loan, and if a higher rate is offered, as in the case of a non-conforming portfolio loan, it will be presumed that the lender is either overcharging the borrower or not providing the best lending option for that borrower. In my experience as a career community banker and now as a representative for the nation's 6,500 community banks, I can tell you that this is not how we do business.

I was also troubled by your remarks regarding some of the findings from the CFPB's recent study conducted with the FHFA. Specifically, you stated that while lenders and brokers could be valuable resources, it was "worth recognizing that they also have an important personal stake in selling the mortgage" and that "what is best for them is not always going to be best for the consumer." This statement implies that because a bank may profit from making a loan that the banker doesn't care about what might be best for the consumer. That is just wrong, and these types of statements are damaging to community banks. Community bankers are keenly aware that the success of their banks depends upon the quality of service they provide to their customers. To insinuate that their intentions are less than honorable is offensive to the fine men and women who have dedicated their lives to the community banking industry for many generations.

You have said many times that community banks were not to blame for the bad mortgage lending and servicing practices of the past. Yet, your statements seem to say otherwise. If this is not the case, I request that you correct these statements immediately. Further, providing a rate service is similar to establishing a state or national mortgage pricing system, which is something that is outside of the scope of the CFPB's statutory authority. I would ask that the CFPB remove this tool and instead direct consumers to lenders in their area for the best mortgage product that meets their individual needs.

Richard, we have appreciated the Bureau's outreach and attention to community bank concerns throughout the rulemaking process and I hope we can continue in that spirit of honesty, trust and respect. The nation's community bankers deserve no less.

I would be happy to discuss these issues with you further.

Sincerely,

Camden R. Fine
President and CEO

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