Federal Issue Brief

Community Bank Regulatory Relief

Commercial banks play a major role in offering customized mortgages and consumer loans tailored to fit the unique characteristic of borrowers within their communities. Banks also are oftentimes the sole financial service provider in many of our nation's smallest rural small towns. However, the compliance burdens and risks imposed by several requirements of the Dodd-Frank Act (DFA) and implementing regulations, particularly in the area of mortgage credit, have had negative impacts on banks, their customers and the housing market. In fact, the recent Fannie Mae *June 2014 Quarterly Mortgage Lender Sentiment Survey* finds 80 percent of lenders plan to make only qualified mortgage (QM) loans and 85 percent said their costs for quality control-related activities for mortgage lending had increased during the past 12 months.

Two of the most problematic aspects of the regulations adopted to date to implement the DFA are (1) the application of the QM requirements and the ability-to-repay rule applicable to mortgages that do not meet with QM requirements on loans held in portfolio by the lender and (2) the limited scope of the small servicer exemption from the recently-adopted escrow and appraisal rules.

Action Needed

We support H.R. 1210 (Barr, R-KY) **and H.R. 1233** (Luetkemeyer, R-MO), two measures that offer serious regulatory relief to alleviate some of the mounting pressures on community banks.

- H.R. 1210, the Portfolio Lending and Mortgage Access Act, revises the Consumer Financial Protection Bureau (CFPB) ability-to-repay rules by allowing any mortgage held in portfolio by a bank to be considered a "qualified mortgage."
- H.R. 1233, the Community Lending Enhancement and Regulatory Relief Act, (CLEARR Act), amends the Truth in Lending Act (TILA) to exempt a bank mortgage held in portfolio from new escrow and appraisal requirements for banks with assets under $10 billion that annually service 20,000 or fewer loans. In addition, the measure eliminates the need to file duplicative privacy notices if no changes to the existing privacy policy have been made and streamlines currency transaction reporting for well-capitalized community banks.

Impact on Our Communities

Helps Meet the Needs of Our Customers

In the mortgage lending arena, the bills allow banks to make loans to creditworthy customers who do not currently meet the requirements of the QM rule under the DFA. These include low-income individuals who do not meet debt-to-income requirements, small business owners and professional firms that have fluctuating income, and rural customers.

Enhances Mortgage Lending Competition

Enacting these changes would also reduce regulatory burdens on community banks allowing them to compete fairly with other depository institutions as well as non-depository lenders.