



CFPB Issues Final “Qualified Mortgage” and “Ability-to-Repay” Rules

January 10, 2013

The CFPB this week issued its final Qualified Mortgage and Ability-to-Repay rules. CBAI is encouraged that the rules reinforce the traditional mortgage underwriting standards historically followed by community banks versus the predatory practices employed by many large banks and the shadow finance industry. The rules also structure the Qualified Mortgage standard as a true legal safe harbor versus rebuttable presumption, and treat certain balloon-payment loans as Qualified Mortgages.

We also found encouraging the same-day release of proposed amendments to the Ability-to-Repay rules which would provide Qualified Mortgage status for certain loans held in portfolio by small creditors, such as community banks. The proposed amendments, if adopted, would be finalized this spring and go into effect at the same time as the Ability-to-Repay rule in January of 2014.

Richard Cordray, Director of the Consumer Financial Protection Bureau (CFPB), participated in a roundtable discussion with CBAI bankers at The Westin O’Hare near Chicago on December 5, 2012. This meeting was a continuation of the productive dialogue between the Bureau and CBAI bankers that began at a roundtable with Professor Elizabeth Warren in February of 2011. The goal of both discussions was to share our members’ observations and recommendations with the Bureau concerning consumer regulations and the impact those regulations have on community banks and their communities.



Left to Right: David Hibbs (ICBA), Tom Marantz (Bank of Springfield), Terry Griffin (CBAI), Dianna Torman (Prairie Community Bank, Marengo), Bill Smith (HomeStar Bank, Manteno), Maria Warner (Morton Community Bank), Richard Remijas (Park Federal Savings Bank, Chicago), Richard Jameson (CBAI Chairman/Morton Community Bank), Jason Knoedler (Bank of Springfield), Richard Cordray (Consumer Financial Protection Bureau), Tony Sisto (STC Capital Bank, St. Charles), Todd Grayson (South Central Bank, N.A., Chicago), Robin Loftus (Security Bank, s.b., Springfield), Tammy Hoffman (First Community Bank and Trust, Beecher), and Greg Ohlendorf (First Community Bank and Trust, Beecher)



CBAI bankers engaged in the roundtable discussion with CFPB Director Richard Cordray

During the roundtable, CBAI bankers shared their concerns regarding a number of important issues. They stressed the importance of mortgage lending to community banks and their customers, communities, and the national economy. They emphasized the need to streamline the mortgage lending process and the need for the CFPB to receive input from community banks and their customers in the revisions of various disclosures.

The bankers also focused on the importance of the CFPB providing community banks with a safe harbor (versus a rebuttable presumption) for community bank Qualified Mortgages from the Ability-to-Repay requirements, and to allow balloon mortgage loans originated and held in portfolio to be considered Qualified Mortgages for the purpose of the safe harbor. In addition, they told the Director that Qualified Mortgages should not be so stringently defined that community banks would no longer be able to meet the unique needs of their customer



Director Richard Cordray (Consumer Financial Protection Bureau)

CBAI thanks Director Cordray for the outreach to Illinois community bankers and we look forward to working with the CFPB in the future to ensure community bankers' concerns with the mortgage rules are fully addressed.