

ADVOCACY SUBMITS COMMENTS ON THE CONSUMER FINANCIAL PROTECTION BUREAU'S REOPENING OF COMMENT PERIOD ON QUALIFIED RESIDENTIAL MORTGAGES

On July 9, 2012, the Office of Advocacy of the U.S. Small Business Administration (Advocacy) submitted a comment letter to the Consumer Financial Protection Bureau (CFPB) on the reopening of the comment period on *Regulation Z; Docket No. CFPB-2012-0022 Truth in Lending* as it pertains to qualified residential mortgages (QRM). A copy of Advocacy's comments can be found at: www.sba.gov/advocacy/816/160691.

- This matter was originally proposed by the Board of Governors of the Federal Reserve on May 11, 2011. The proposed rule addressed the new ability to repay requirements that will apply to consumer credit transactions secured by a dwelling and the definition of a qualified mortgage (QM). In the QM proposal, the Federal Reserve set forth two alternatives. Alternative 1 would provide for a legal safe harbor from the ability to repay requirements. Alternative 2 would provide a rebuttable presumption of compliance.
- On June 5, 2012, the CFPB reopened the comment period, requesting comment on new data that the CFPB received from the Federal Housing Finance Agency. The CFPB proposes to use the data to analyze whether the lender complied with the ability to repay requirements. The CFPB has asserted that loan performance, as measured by the delinquency rate, is an appropriate metric to evaluate whether a consumer had the ability to repay those loans at the time that the loan was made. Advocacy questions this assertion because a consumer's circumstances may have changed after the loan was made.
- Small banks are concerned about the definition of QM, and are concerned that community banks will no longer originate mortgage loans if they are only provided with a rebuttable presumption of compliance. A safe harbor will allow small lenders to operate within known boundaries and allow consumers to obtain affordable loans. Advocacy encourages the CFPB to give full consideration to the comments from small banks.

For more information, visit Advocacy's webpage at www.sba.gov/advocacy or contact Jennifer Smith at 202-205-6943.