INDEPENDENT COMMUNITY
BANKERS of AMERICA®

November 28, 2022

The Honorable Rohit Chopra
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

RE: Request for Information Regarding Mortgage Refinances and Forbearances
Docket No. CFPB-2022-0059

Dear Director Chopra:

The Independent Community Bankers of America (ICBA)[1] appreciates the opportunity to comment on the Consumer Financial Protection Bureau's (CFPB or Bureau) Request for Information Regarding Mortgage Refinances and Forbearances ("RFI"). In particular, the Bureau is seeking information about ways to encourage and facilitate residential mortgage loan refinances for those borrowers who would benefit most and for borrowers with smaller loan balances. Moreover, the RFI seeks ways to mitigate risks for borrowers experiencing a financial hardship or disruption that could prevent them from making their mortgage payments.

ICBA commends the Bureau for exploring opportunities that will allow more qualified borrowers to benefit from lower interest rates by refinancing their home. Broadly, it is critical that the Bureau better understand potential barriers preventing or discouraging qualified

[1] The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. ICBA is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education, and high-quality products and services.

With nearly 50,000 locations nationwide, community banks constitute roughly 99 percent of all banks, employ nearly 700,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding nearly $5.9 trillion in assets, over $4.9 trillion in deposits, and more than $3.5 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org.

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borrowers from enjoying better terms and lower interest rates that a refinance may provide. Credit-worthy borrowers with smaller loan balances, many of whom are in low and moderate income and rural areas, should have access to the same opportunities.

Community banks excel at relationship banking and work with their customers to determine which loan product is appropriate given their unique needs and financial circumstances. ICBA encourages the Bureau to develop solutions that minimize costs and complexity, reduce compliance burden, and better allow community banks and small institutions to leverage their local knowledge to provide access to refinance products. In addition to the targeted and streamlined refinances outlined in the RFI, ICBA suggests the Bureau consider ways to better improve consumer education. Understanding the nuances of a refinance loan is crucial when deciding how and when to approach a lender – some borrowers simply may not be aware that they qualify and stand to benefit or, alternatively, some customers may decide to refinance when it may not make financial sense to do so.

ICBA Recommendations:

1. **Coordinate with the other federal agencies and regulators to reduce unnecessary compliance burdens and complexity for community banks.** The costs of compliance, coupled with growing mortgage origination costs, have caused many community banks to curtail their mortgage lending or exit the market completely. We therefore encourage the CFPB to study how compliance costs and complexity unnecessarily constrain community lenders – particularly those situated in rural areas and that serve customers who may benefit the most from refinancing.

   One regulation of particular concern is the Home Mortgage Disclosure Act (HMDA), which requires lenders to report mortgage loan data if their lending volume crosses specific thresholds. Recognizing the considerable burden of reporting this data, the Bureau in 2020 increased one threshold from twenty-five to one hundred closed-end mortgage loans. A recent Federal court case[2] invalidated this increase, vacating and remanding the rule back to the CFPB. Reverting this threshold back to twenty-five loans will likely push more small lenders out of this space due to the burdensome costs associated with HMDA reporting. We are currently awaiting appropriate guidance from the Bureau on this issue.

[2] National Community Reinvestment Coalition v. Consumer Financial Protection Bureau

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2. **Carefully consider whether and how the CFPB should offer targeted and streamlined refinance programs and products.** Any new program and product must have appropriate guardrails that help ensure they do not encourage refinances ill-suited to the borrower or result in serial refinances. For example, the CFPB's Qualified Mortgage (QM) Rules could be amended to streamline refinance loans if they meet certain criteria that demonstrate a quantifiable benefit for the borrower. Another example mentioned in the RFI is an "auto-refi" mortgage. This product would provide automatic and streamlined future refinancing when specific market conditions are met, essentially acting as a trigger that requires no affirmative action by the borrower. While this may result in lower borrowing costs and a simplified process, it raises questions regarding how such a loan is serviced and how it might be valued in the secondary and capital markets. These are important considerations that likely require considerable stakeholder outreach before implementation.

3. **Provide more opportunities and tools to enrich borrower education.** Providing targeted and streamlined programs for qualified borrowers is just one half of the equation. It is just as important that the Bureau and industry stakeholders collaborate to offer valuable up-to-date resources and educational materials that enable borrowers to make sound financial decisions based on their goals and circumstances. As discussed in the RFI, borrowers need to understand if refinancing costs are ultimately offset by lower interest rates. This tends to be a more challenging consideration for borrowers with smaller loan balances, making education all the more important.

ICBA looks forward to working with the CFPB on this important issue. If you have any questions regarding the content of this letter, please contact the undersigned at tim.roy@icba.org.

Sincerely,

Tim Roy
AVP – Housing Finance Policy

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