



October 29, 2014

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, D.C. 20552

Re: Request for Comment on Proposed Amendments to Regulation C: Docket No. CFPB-2014-0019

Dear Ms. Jackson:

The Louisiana Bankers Association, which is the only state banking association in Louisiana, represents 147 member banks and thrifts in the state. We appreciate the opportunity to comment on the proposed rule issued by the Consumer Financial Protection Bureau (“CFPB”) amending Regulation C, which implements the Home Mortgage Disclosure Act (“HMDA”).

LBA and our member banks promote fair lending compliance and strongly oppose illegal credit discrimination. However, we urge CFPB to proceed cautiously on this proposal, and to not stray from the original intent of HMDA. As stated in Regulation C, the purpose of HMDA is to provide the public with loan data: “(i) to help determine whether financial institutions are serving the housing needs of their communities; (ii) to assist public officials in distributing public-sector investment so as to attract private investment to areas where it is needed; and (iii) to assist in identifying possible discriminatory lending patterns and enforcing anti-discrimination statutes.”

Additionally, we do not support requiring any new data to be reported for HMDA purposes if it is not collected as part of the bank’s normal mortgage underwriting process, and if it is not required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”). We believe such action would be beyond the original purpose and intent of HMDA.

As you are aware FDIC insured institutions have been subjected to an avalanche of new regulations in recent years, especially as a result of Dodd-Frank. This greatly increased regulatory burden, and its related compliance costs, is especially damaging to community banks that do not have the resources of larger institutions. Ultimately, substantial increases in the costs of doing business result in increased costs to consumers, or fewer product and service offerings to consumers. Such a result does not benefit consumers or banks, and it contravenes the purpose of CFPB to help consumers.

Accordingly, we believe that any perceived value of expanding HMDA reporting requirements beyond the statutory requirements is outweighed by the additional reporting costs that would be incurred, especially in light of the banking industry’s strong fair lending performance and the accessibility of loan files to on-site banking supervisors.

LBA urges CFPB and other banking regulators to strike a balance in order to have responsible, effective regulation, but at the same time avoiding unnecessary regulatory overkill that stymies business profitability and the availability of products and services to consumers.

With the above stated considerations in mind, LBA respectfully details below the following concerns with this proposal:

HMDA Coverage Test:

It is our understanding that CFPB has proposed a minimum loan threshold of 25 closed-end mortgage loans per calendar year for HMDA coverage, and has proposed a significant expansion of the loan categories required to be reported. We believe the additional loan categories will effectively eliminate the threshold and convert many banks that are not current HMDA reporters into reporters. LBA opposes any changes to Regulation C that would require community banks currently exempt from reporting to comply with HMDA moving forward. If a loan threshold is adopted by CFPB it should only add to, and not replace, the current HMDA exemptions specified in Regulation C, and home equity loans, HELOCs and reverse mortgages should not be counted towards the threshold number. Unreasonably low thresholds will increase costs and discourage lending by those with a very low volume mortgage business. Additionally, in the interest of consistency and fairness, if a minimum loan threshold for HMDA reporting is adopted, LBA does support its applicability to mortgage brokers and other non-depository lenders that meet the threshold criteria.

Reporting:

LBA opposes the idea of quarterly reporting of HMDA data. Such a change does not provide a corresponding benefit to justify the increased costs and work hours that would be required for lenders to submit quarterly reports. We believe yearly reporting is more than adequate to satisfy the intent and purpose of HMDA reporting, and that more frequent reporting is unnecessary and provides little value.

Further, the current proposal magnifies the risk of human error in collecting and reporting HMDA data in light of its broad and technical scope. In order to maintain quality assurance at the unreasonable levels recently imposed by the CFPB and the prudential regulators, banks anticipate significant additional expenditures on reporting systems and data accuracy controls. In the absence of reasonable tolerances or standards of materiality, the CFPB will fail in its congressional mandate to minimize compliance costs.

Therefore, civil money penalties (CMPs) should not be used to punish inconsequential reporting lapses. We strongly urge the CFPB to include within any final rule limits that bind it and any enforcing authority from imposing CMPs for HMDA reporting errors that are not associated with conduct that includes a violation of substantive fair lending laws. In addition, the CFPB's final rule should preclude any enforcement of HMDA that requires data resubmissions for loans that do not constitute a material percentage of all loans in a reporting year in the associated metropolitan statistical area.

Commercial Loans:

LBA opposes adding commercial loans secured by a dwelling to HMDA reporting requirements because it does not align with the original purpose of HMDA and does not provide insight into the housing market. Further, such a requirement would present significant implementation and compliance expenses for Louisiana banks and thrifts. Data elements such as age, credit score, or QM status, among others, are either inapplicable or indeterminable for commercial loans. Thus, the proposal will require bankers to take time to work through a reporting exercise that is irrelevant to the lending process. Further, reporting of commercial loans is simply unworkable as the application process, employee

training, and underwriting standards with commercial loans are completely different than with traditional home mortgage loans.

HELOCs and Reverse Mortgages:

LBA opposes the idea of mandating the reporting of HELOCs and reverse mortgages. Requiring the reporting of HELOCs and reverse mortgages will not enhance fair lending analysis and will be burdensome to lenders. Generally HELOCs and reverse mortgages are not a good indicator for access to credit analysis, because the applicant is borrowing from their own equity in their home. Further, since HELOCs can be used for any purpose (and generally are not used for the purpose of purchasing a home), HELOC reporting does not align with the original intent of HMDA of helping to determine whether financial institutions are serving the housing needs of their communities. Finally, since HMDA information is not currently collected on HELOC and reverse mortgage applications, the compliance burden for banks and thrifts would be great. This would be yet another drain on the limited resources of community banks without a significant corresponding benefit.

Consumer Privacy:

LBA believes the CFPB should issue rules, or amend its existing rules, to protect the privacy of consumers and the security of HMDA data. My understanding is that our national association partners, the American Bankers Association (ABA) and the Independent Community Bankers of America (ICBA), will include lengthy sections on this topic in their comment letters, and we urge the CFPB to strongly consider and incorporate their suggestions regarding privacy and data security.

Implementation:

Finally, we believe an adequate implementation period for any changes made by CFPB is crucial. Please err on the conservative side and do not underestimate the challenges involved for lenders, especially community banks, to comply with these changes. Accordingly, we urge you to strongly consider the suggestions (and reasons therefore) provided by the ABA and ICBA related to an implementation period.

Conclusion:

CFPB and other banking regulators often give assurances to bankers and banking associations that they share and understand banker concerns about the mushrooming compliance burden, but too little action has been taken to address those concerns. Ultimately, addressing regulatory overkill by reducing onerous and ineffective regulations will benefit consumers, the very constituency that CFPB and banks are trying to effectively serve. This is the CFPB's opportunity to return HMDA back to its core mission of fair housing finance and to minimize extraneous compliance burdens.

Thank you for your consideration of our comments.

Sincerely,



Joe Gendron
Director of Government Relations