April 10, 2013

Honorable Richard Cordray
Director, Consumer Financial Protection Bureau
1700 G St., NW
Washington, DC 20552

Dear Director Cordray:

The Consumer Bankers Association[1], the American Bankers Association[2], The Financial Services Roundtable[3] and its Housing Policy Council[4] (collectively, the "Associations") respectfully submit to the Consumer Financial Protection Bureau ("CFPB" or "Bureau") this letter on complying with the Bureau's new mortgage rules. In order to ensure the new rules achievope their intended consumer protection goals and avoid the real risk of impairing housing credit availability, the Associations respectfully urge the Bureau (i) to identify, prioritize and publish necessary clarifications of the mortgage rules' application as expeditiously as possible so the fundamental

[1] The Consumer Bankers Association ("CBA") is the trade association for today's leaders in retail banking - banking services geared toward consumers and small businesses. The nation's largest financial institutions, as well as many regional banks, are CBA corporate members, collectively holding two-thirds of the industry's total assets. CBA's mission is to preserve and promote the retail banking industry as it strives to fulfill the financial needs of the American consumer and small business.

[2] ABA represents banks of all sizes and charters and is the voice for the nation's $13 trillion banking industry and its two million employees. The majority of ABA's members are banks with less than $165 million in assets.

[3] The Financial Services Roundtable represents 100 integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. Roundtable member companies provide fuel for America's economic engine, accounting directly for $98.4 trillion in managed assets, $1.1 trillion in revenue, and 2.4 million jobs.

[4] The Housing Policy Council of The Financial Services Roundtable consists of thirty of the leading national mortgage finance companies. HPC members originate, service, and insure mortgages. We estimate that HPC member companies originate approximately 75% and service two-thirds of mortgages in the United States. HPC's mission is to promote the mortgage and housing marketplace interests of member companies in legislative, regulatory, and judicial forums.

work of system changes can proceed; and (ii) to extend compliance deadlines to assure effective and efficient implementation of the new requirements and interpretations across what is undeniably a re-invention of the entire residential mortgage market.

We first want to take this opportunity to thank you and the CFPB for the manner in which the Bureau has carried out its mandate under the Dodd-Frank Act. The CFPB has regularly met with the industry to maintain open lines of communication during the entire rulemaking process, and the Bureau has made itself available for additional discussions about its intentions in crafting these rules. Moreover, once the final rules were issued, the CFPB – in recognition of the inherent difficulties with implementing these rules under the tight one-year time frame – took the extra step to form an implementation team to support the industry's compliance efforts.

The Associations would appreciate an opportunity to reach out again and request additional assistance as the industry develops a coordinated approach to compliance with the final mortgage rules. We have all submitted comment letters to the CFPB in response to a myriad of mortgage-related rulemaking proposals. Although these letters cover a wide variety of topics and issues, the most important concerns that have been consistently and repeatedly stressed throughout is the need for clear rules and more than 12 months to comply. The Associations re-emphasize these concerns now that the majority of the final mortgage rules have been issued and we have had an opportunity to review them.

The new rules are thousands of pages in length and establish a brand new regulatory framework for mortgage lending and servicing activities. These rules affect the entire mortgage-lending industry, including lenders, service providers, appraisers, escrow agents, and virtually anyone with a relationship to the mortgage lending process. At the same time, the new rules will significantly reshape the housing-finance market, which comprises a substantial proportion of the gross domestic product of the United States and touches the lives of nearly every American household. We want to work with the CFPB to get this right, for the sake of our customers, to avoid consumer confusion, and to promote the nascent recovery of the housing market.

Our most urgent concern right now is ensuring we have sufficient time to fully review all of the final rules; implement new systems, processes and forms; train staff; and test these changes for quality assurance before bringing them online. Although most of the changes mandated by the new mortgage rules call for a 12-month implementation period, the actual amount of time available to financial institutions to comply is in fact much shorter. In order to manage year-end regulatory and tax reporting requirements, many institutions have an information technology "freeze" between November and early January. Because it may not be possible to test or revise the new mortgage compliance systems during the lock-down period, the compliance deadline will effectively be November, 2013.

Regulatory implementation is further complicated by the fact that banks commonly rely on vendors for software updates and systems upgrades. Many of our members report their vendors are not yet ready to provide the necessary updates to individual institutions and some vendors may not do so until late summer or early fall.

In addition to these challenges, financial institutions face the difficult prospect of implementing the new mortgage rules with important provisions of the ability-to-repay/qualified mortgage rule ("QM Rule") still outstanding and many significant questions yet unanswered. Since the release of the final mortgage rules, the Associations have provided the Bureau with detailed requests for guidance on specific provisions of the rules which the industry finds unclear or confusing. These requests are not a complete list, and it is very likely other issues will emerge as financial institutions, and their third-party vendors, progress through their implementation plans. However, clarity on these issues is a necessary prerequisite for our members to fully implement the changes mandated by the new rules.

We understand in the coming months, the CFPB plans to issue additional revisions to the mortgage rules and accompanying staff commentary. The Associations anticipate these clarifications will provide important information to help our members make strategic decisions regarding their business models and with regulatory implementation. Our members are very concerned about the prospect of making such decisions while the mortgage rules and commentary are in the process of being revised.

For the reasons outlined above, we ask the CFPB for quick action on providing the industry with guidance and for more time than the allotted 12-month period to comply with the new mortgage rules. The requirements mandated by the new rules are overwhelming; and, the short implementation period, along with the lingering uncertainty surrounding the final rules, poses additional compliance challenges. While the Associations welcome the CFPB's recent issuance of the *Small Entity Compliance Guide for the Ability-to-Repay and Qualified Mortgage Rule*,[5] this guide – does not obviate the need for a longer implementation period as additional guidance on the QM Rule, along with all of the other mortgage rules, will be issued "[o]ver the next several weeks," and the industry needs time to review and implement them in order to fully comply.

The Associations have suggested in the past, and we repeat this request now, the CFPB use its exemption authority to extend implementation of the mortgage rules to 18-to-24 months in order to facilitate an orderly compliance process. Without more time to comply, we are concerned certain lenders may choose to mitigate the resulting operational risks by reducing, or even eliminating, their mortgage lending activities. This will be devastating to the industry and reduce mortgage loan options for consumers at a time when all agree there should be an increase in responsible mortgage lending.

We want to make absolutely clear the industry is diligently working towards meeting the expected compliance dates; however, our members need the CFPB's assistance. The Associations would appreciate an opportunity to meet with you to discuss these issues further,

[5] *Available at* http://files.consumerfinance.gov/f/201304_cfpb_compliance-guide_atr-qm-rule.pdf.

and we look forward to working with the CFPB on implementing the new mortgage rules over the course of the year.

Thank you for the opportunity to express our views, and please feel free to contact us if you have any questions.

Sincerely,

Consumer Bankers Association
American Bankers Association
The Financial Services Roundtable
Housing Policy Council