

ICBA News Watch this week / US Weekly Bell

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Regulation

ICBA: Expand QM Definition to Limit Negative Impact on Credit

Because the ability-to-repay rule has led many community banks to stop making loans that do not meet the qualified mortgage standard, the Consumer Financial Protection Bureau should ensure the QM definition includes a variety of solid mortgage loans, ICBA said.

In a letter to the CFPB, ICBA wrote that the bureau should allow all community bank loans held in portfolio for the life of the loan to receive automatic QM safe-harbor legal status and an exemption from the escrow requirements for higher-priced mortgage loans. ICBA noted this proposal is similar to bipartisan measures pending in Congress, including the ICBA-advocated CLEAR Relief Act (H.R. 1750/S.1349).

The association offered alternative solutions, such as expanding the small-creditor exemption, if the CFPB does not pursue ICBA's preferred approach. [Read ICBA's Letter.](#)

CFPB Makes ICBA-Recommended Changes to QM Amendments

The [Consumer Financial Protection Bureau](#) finalized adjustments to its qualified mortgage rules with ICBA-advocated changes included. The amendment would allow lenders who inadvertently exceed qualified mortgage limits on points and fees to resolve the problem by refunding the excess amount to consumers, if certain conditions are met.

The CFPB originally proposed requiring the loans to be originated in good faith as a QM and lenders to refund the consumer within 120 days. In a [June comment letter](#), ICBA advocated increasing the time period and removing the good-faith provision. In the final adjustments announced yesterday, the bureau did both, including extending the refund period to 210 days.

Federal Agencies Approve Final Risk Retention Rule

The Federal Reserve and Securities and Exchange Commission joined other federal agencies in approving a [final rule](#) requiring firms to retain risk in loans they securitize and defining the "qualified residential mortgage" (QRM) loans that will be exempt. The "skin in the game" rule includes in the QRM definition "qualified mortgage" (QM) loans under the Consumer Financial Protection Bureau's ability-to-repay rules.

In a [statement](#) following Tuesday's FDIC vote on the joint rule, ICBA said it supports including QM loans as well as loans backed by Fannie Mae and Freddie Mac in the QRM definition. The final rule will be effective one year after publication in the Federal Register for residential mortgage-backed securitizations and two years after publication for all other securitization types.

ICBA Agrees with Fed's Powell on Tiered Regulation

ICBA said it agrees with remarks from Federal Reserve Gov. Jerome Powell on tiered regulation. In [prepared remarks](#) for a St. Louis Fed webinar, Powell said the Federal Reserve is committed to tailoring its supervisory practices for community banks to reduce unnecessary regulatory burdens.

ICBA President and CEO Cam Fine noted that ICBA's legislative and regulatory agenda is built on the principle of tiered regulation, which supports local lending and economic development. He also outlined ICBA's calls for a substantive review of agency regulations under the Economic Growth and Regulatory Paperwork Reduction Act. [Read ICBA Statement.](#)

Capital

Fed Adjusts Stress Test Schedule for Larger Banks

The Federal Reserve Board [issued a final rule](#) adjusting the due date for bank holding companies with total consolidated assets of \$50 billion or more to submit their capital plans and stress test results. Following the 2015 capital plan cycle, participating BHCs will be required to submit their capital plans and stress testing results to the Federal Reserve on or before April 5.

Millennials

ICBA Study Finds Millennials Great Fit for Community Banks

The ICBA study referenced in Fine's blog post found that the Millennial generation is a great fit for community banks. According to the [2014 ICBA American Millennials and Banking Study](#), more than half of Millennials said they would prefer to work with a community bank.

The study also found that Millennials are the generation most interested in learning about starting up and running a successful small business. A white paper and infographic on the study results are available on ICBA's American Millennials and Banking webpage. [Read ICBA Release and Study Results.](#)

Mortgage rules

FDIC Approves QRM Risk-Retention Rule

The FDIC approved a final rule requiring firms to retain risk in loans they securitize and defining the "qualified residential mortgage" (QRM) loans that will be exempt from the rules. The "skin in the game" rule includes in the QRM definition "qualified mortgage" (QM) loans under the Consumer Financial Protection Bureau's ability-to-repay rules.

In a statement, ICBA said it supports including QM loans as well as loans backed by Fannie Mae and Freddie Mac in the QRM definition. The association said that using the QM definition will provide much-needed consistency and that including loans sold to Fannie and Freddie will allow many community banks to continue to lend.

The Federal Reserve Board and Securities and Exchange Commission are scheduled to vote on the rule today. [Read the Final Rule.](#) [Read ICBA Statement.](#)

Development

OCC Reports on Bank-CDLF Partnerships

The Office of the Comptroller of the Currency [published a report](#) on opportunities for partnerships between banks and Community Development Loan Funds. The Insights newsletter describes how the partnerships can be used to better reach low- and moderate-income and underserved populations. It also covers potential risks and regulatory matters that may need to be considered.

Virtual Currency

ICBA Backs Reforms to New York Virtual Currency Regs

Appropriate regulation of virtual currencies can reduce prudential and compliance risk, increase public trust in these systems and help protect consumers, ICBA and The Clearing House said. In a [joint comment letter](#) to the New York State Department of Financial Services, the associations said they largely support the department's proposed BitLicense Regulations. The associations advocated modifications, such as exempting a broader range of traditional banking entities, expanding exclusions for in-game and rewards currency, and clarifying regulations for virtual currency miners.

Rates

Libor Administrator Seeks Comments on Reforms

The ICE Benchmark Administration, which administers the London Interbank Offered Rate (Libor), [published](#) a position paper on the evolution of the benchmark rate. The paper includes key findings and developments on Libor administration since IBA took over in February 2014. IBA invites comments on proposed reforms to elements of LIBOR, including a new calculation methodology.

Farm Credit

Weigh In to Stop Farm Credit System Expansion

The Farm Credit Administration, regulator of the Farm Credit System, has issued a significant proposed rule to expand FCS lending with comments due Thursday. The FCA's proposal would allow FCS lenders to submit requests for approval of a broad spectrum of general business, community and infrastructure projects. FCA is suggesting that if its financing activities are labeled as "investments" or "bonds" instead of loans, it can approve virtually any type of financing. Ag bankers will begin receiving information today electronically from ICBA on how to weigh in on FCA's proposal.