



**National Association
of Federal Credit Unions**

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NAFCU | Your Direct Connection to Advocacy, Education & Compliance

April 25, 2016

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

**RE: Operations in Rural Areas Under the Truth in Lending Act
(Regulation Z) - Interim Final Rule (RIN 3170-AA59)**

Dear Ms. Jackson:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally insured credit unions, I am writing to you regarding the Consumer Financial Protection Bureau's (CFPB) interim final rule amending Regulation Z. *See* 81 FR 16074 (March 25, 2016). NAFCU appreciates the Bureau's use of an interim final rule to quickly implement much needed regulatory relief measures that allow more credit unions to take advantage of special benefits for small creditors within the qualified mortgage (QM) rules.

The interim final rule implements important regulatory relief provisions within the *Helping Expand Lending Practices in Rural Communities Act* (HELP Rural Communities Act). As promulgated, the interim final rule potentially expands the number of credit unions eligible for special QM provisions. Specifically, the rule would allow more small creditors to be eligible to originate small creditor balloon-payment QMs, so long as they originate at least one covered mortgage loan in a rural or underserved area. This is a substantial improvement from the rule's previous requirement that a credit union "predominantly operate" in rural or underserved areas, which was satisfied when a small creditor extended "more than 50 percent of its total first-lien covered transactions on properties that are located in areas designated as either rural or underserved." (emphasis added)

NAFCU has long urged the Bureau to broaden its definition of small creditors operating in rural or underserved areas and thereby expanding the provision's benefits to a greater

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number of credit unions. Therefore, NAFCU supports use of an interim final rule to swiftly expand the number of small creditors that can potentially take advantage of balloon-payment QMs. NAFCU has routinely heard from our member credit unions that any additional regulatory flexibility aids their efforts to tailor-fit mortgage products to each member's particular financial situation. NAFCU believes that the amendments to Regulation Z will benefit consumers by helping more Americans find the right mortgage option for their needs.

NAFCU would also like to take this opportunity to urge the Bureau to expand the definition of "small creditor" even further. For example, although NAFCU appreciates the actions taken last year to modify the definition of small creditor by raising the origination limit from 500 to 2,000 first-lien mortgage loans, we continue to urge the Bureau to increase the origination limit even further in addition to raising the "small creditor" asset threshold.

In conclusion, NAFCU strongly supports the use of an interim final rule to quickly implement the HELP Rural Communities Act's statutory changes, and appreciates this opportunity to comment on ways to continue to improve the CFPB's QM rules. NAFCU and our member credit unions look forward to working with the Bureau as it continues to explore additional ways to ease the regulatory burden experienced by credit unions. Should you have any questions or would like to discuss these issues further, please feel free to contact me at (703) 842-2244 or amonterrubio@nafcu.org, or Michael Emancipator, Senior Regulatory Affairs Counsel at (703) 842-2249 or memancipator@nafcu.org.

Sincerely,



Alexander Monterrubio
Director of Regulatory Affairs