Indiana Credit Union League
The association of Indiana credit unions

September 21, 2020

Office of Regulations
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

Re: Higher-Priced Mortgage Loan Escrow Exemption (Regulation Z); RIN 3170-AA83

Dear Sir or Madam:

The Indiana Credit Union League (ICUL) appreciates the opportunity to submit comments on the Consumer Financial Protection Bureau's (CFPB) proposed rule amending Regulation Z and the requirement to establish escrow accounts for certain higher-priced mortgage loans (HPMLs). The ICUL member credit unions represent 99% of assets and members of Indiana's credit unions, with those memberships totaling more than 2.6 million consumers.

Credit unions are member focused and historically are not actively pursuing high-priced or sub-prime mortgage lending. At the same time, credit unions are smaller and flexibility is needed. The proposed escrow exemption is a positive and welcomed. However, we do feel the 1,000-mortgage threshold to qualify for the exemption is too low.

The proposed regulatory exemption would apply to any HPML made by an insured depository institution or insured credit union when the loan is secured by a first lien on a borrower's principal dwelling and the covered entity: (a) has assets of $10 billion or less; (b) originated, together with its affiliates, 1,000 or fewer first lien mortgage loans for principal dwellings during the preceding calendar year; and (c) meets certain other escrow exemption criteria including requirements to (i) extend credit in a rural or underserved area, (ii) exclude any loans from exemption that have forward commitments to transfer or sell the loan to a purchaser that is ineligible for the exemption, and (iii) not require or maintain escrow accounts for other mortgage products.

Although Indiana does not have any credit unions that have over $10 billion in assets, we do have 12 credit unions that would be affected by decreasing the number of originated first mortgage loans from 2,000 to 1,000. We have a limited amount of credit unions who participate in originating HPMLs.

The ICUL supports the proposed three-month grace period, which may allow some credit unions to still qualify for the exemption if they originate over 1,000 loans in a calendar year, but otherwise remain exempt. The three-month grace period considers atypical fluctuations in mortgage originations for a given calendar year, without resulting in credit unions becoming ineligible for the exemption. Although it will help, reducing the number to 1,000 originated first mortgage loans is just too low for such a drastic change in an escrow requirement, a

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process most credit unions will have to outsource and eventually have to pass the charges on to the borrower(s). We ask the CFPB to consider maintaining the 2,000-loan threshold for the added exemption for smaller entities.

The ICUL does encourage the CFPB to change the definition of HPMLs to include loans with spreads that are 2% or higher over the relevant average prime offer rate (APOR). The 2% threshold would bring consistency with the qualified mortgage (QM) safe harbor threshold and the HPML requirements. The same price-based mortgage distinctions across Regulation Z would help simplify the requirements for credit unions and eliminate confusion.

In conclusion, the ICUL supports the proposed exemptions to the Regulation Z escrow requirements for HPMLs. This proposed rule will help credit unions offer competitive mortgage loans without unnecessary compliance costs being passed on to borrower(s). As added encouragement, we ask the Bureau to consider maintaining the original 2,000 first-lien mortgage originations in a calendar year.

We appreciate the opportunity to comment on the proposed rule. We ask CFPB to consider our comments as discussed above. If you have any questions about our letter, please do not hesitate to give me a call at (317) 594-5320.

Sincerely,

John McKenzie

John McKenzie
President, Indiana Credit Union League