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United States Senate

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May 2, 2011

The Honorable Ben Bernanke
Chairman
Board of Governors of the Federal Reserve
System
2001 C Street, NW
Washington, DC 20001

CLO: #B - 133
CCS: 11- 4524
RECVD: 5/3/11

Dear Chairman Bernanke,

I am writing regarding regulations under the Truth in Lending Act and their application to traditional portfolio lenders. Traditional portfolio lenders are vital players in the economy of Louisiana and the nation as a whole. They played little or no role in creating the problems plaguing our economy in recent years, and they will be key to a sustained recovery – so long as we do not unnecessarily hinder their ability to meet their borrowers' needs.

Both regulations considered under existing Truth in Lending Act ("TILA") authority, and required under the Wall Street Reform and Consumer Protection Act (the "Act") would impose additional escrow requirements on traditional portfolio lenders. Many small banks will not be able to comply with such regulations as they lack the staff, the expertise and the resources to set up and maintain escrow funds. As a result, many small portfolio lenders will be driven from the residential lending market, reducing the credit options available, and making economic recovery more difficult.

The Act does provide the Federal Reserve with discretion in imposing escrow requirements, and I urge you to utilize this discretion to ensure that portfolio lenders can continue to provide needed loans to their borrowers. Specifically, statutory language in Section 1461(a) of the Act gives the Federal Reserve the authority to exempt portfolio lenders doing business predominately in rural and underserved areas from the escrow requirements for higher cost loans imposed by the Act.

Additionally, Section 1461(b) gives broader authority to alter the criteria established for escrow requirements under TILA. I would urge you to consider the vital role played by portfolio lenders in providing much needed mortgage credit when considering the rules implementing the Act. Unfortunately, the rule proposed on March 2, 2011, does not take full advantage of the discretion provided to the Federal Reserve. The exception proposed pursuant to Section 1461(a) is significantly narrower than intended by Congress.

Community banks in general, and portfolio lenders in particular, are essential to restoring the long term economic health of our communities. It is critical, now more than ever, that regulatory requirements do not cut off banks from providing much needed support for economic recovery.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary L. Landrieu". The signature is written in a cursive style with a horizontal line underneath the name.

Senator Mary L. Landrieu