

Iowa Bankers Association
Regulation Z, Docket No. R-1417

On June 16, 2011, members of the Iowa Bankers Association met with Federal Reserve staff to discuss proposed amendments to Regulation Z regarding mortgage underwriting standards and a consumer's ability to repay a mortgage loan. Association members said that a regulatory exemption for creditors operating predominantly in rural and underserved areas was too narrowly drawn to benefit many small Iowa banks. The association also provided written comments, which are provided below.

FRB's proposed exemption from definition of "qualified mortgage" for rural and underserved areas: Applying the proposed definition of "rural" will result in very few counties in Iowa actually meeting the definition of "rural." Iowa consists of 99 counties; 20 of which have been designated as MSAs with an additional 15 designated as micropolitan areas. After applying the definition of "rural" only 16 counties meet the definition of rural because the remaining 48 counties either lie adjacent to an MSA or lie adjacent to a micropolitan and have at least one community with a population in excess of 2500. The entire state of Iowa has a total population of just over three million per the 2010 census (3,046,355) with the largest city's population at 203,433 (Des Moines). It would seem Congress' intent for regulatory relief was broader than reaching less than 20% of a state that has 55% (1,692,048) of its entire population in 20 MSAs. The definition of "rural and underserved" is far too narrow to benefit the small banks serving their communities.