Stricter mortgage rules opposed

By David Dykes
Staff writer
ddykes@greenvillenews.com

A bankers' group has called on federal regulators to not limit consumers' options by imposing stricter mortgage-servicing regulations on community banks.

In a letter to regulators this week, the Independent Community Bankers of America wrote that community banks should not be penalized for servicing loans they originate for customers. The association said stricter standards risk driving smaller banks out of mortgage servicing, which it said would lead to fewer choices for borrowers.

Regulatory agencies "should be encouraging community banks to retain the (mortgage) servicing rights of the loans they originate," Camden Fine, ICBA's president and chief executive, wrote to regulators. "Community banks are uniquely adept at providing a level of customer service that takes into account the financial condition of the borrower and their ability to meet the required loan covenant and payment obligations."

Fine wrote that if regulators don't "quickly and thoroughly" address mortgage-servicing limits imposed under Basel III capital requirements, community banks would be driven out, leaving the business to larger, less-regulated nonbank servicers.

National Mortgage News reported Basel III rules, finalized by regulators last summer, put significant restrictions on banks' ability to hold mortgage servicing rights, particularly for smaller institutions. The regulations were hastening banks' exit from servicing and stoking fears the agencies went too far, the trade publication reported.

In his letter to regulators, Fine wrote that the association supports a community-bank exemption from Basel III rules.