



December 15, 2022

Mr. Michael Barr
Vice Chair for Supervision
Federal Reserve
20th & Constitution Ave. NW
Washington, DC. 20551

Ms. Michelle Bowman
Member, Board of Governors
Federal Reserve
20th & Constitution Ave. NW
Washington, DC. 20551

Dear Vice Chair Barr and Member Bowman:

The Community Home Lenders of America (CHLA)¹ writes to respond to reports that the Federal Reserve is concerned about risk in the non-bank sector and might be considering actions to bring more non-bank financial market activity within the Fed's regulatory authority.

CHLA appreciates potential concerns about the risks that non-bank financial activities may pose and is supportive of closing gaps that actually do exist in supervision of certain non-bank financial sectors.

However, CHLA asks that the Federal Reserve not expand regulatory authority to include small and mid-sized (non-bank) independent mortgage banks (IMBs), for a number of reasons:

- (1) Small and mid-sized IMBs pose no systemic risk to our financial markets.**
- (2) Small and mid-sized IMBs posed little or no taxpayer risk, because of their primary business model of origination and sale or securitization of federal agency mortgage loans.**
- (3) Unlike most other non-bank financial activities, IMBs are already subject to significant and extensive federal rules governing mortgages under Dodd-Frank, such as QM.**
- (4) IMBs are already subject to extensive financial regulation by FHA, Ginnie Mae, Fannie Mae, Freddie Mac, and every state in which they originate or service mortgage loans.**

Adding a layer of financial regulation could unnecessarily raise costs, thus undermining the track record of IMBs (particularly small and mid-sized IMBs) consistently leading the market in the origination of affordable mortgage loans to minorities and other underserved borrowers.

The access to credit record of small and mid-sized IMBs is detailed in [CHLA's IMB Report](#), along with an explanation for why their risk levels are very low and why they do not pose taxpayer or systemic risk.

IMBs consistently outperform banks in access to mortgage credit for minorities and other underserved borrowers, as noted in independent findings by groups such as the Urban Institute and the Greenlighting Institute. Moreover, IMBs originate 90% of FHA and VA loans, which focus on underserved borrowers.

CHLA would be happy to discuss this issue and our IMB Report with you.

Sincerely

COMMUNITY HOME LENDERS OF AMERICA

CC: Financial Stability Oversight Council (FSOC)

¹ CHLA is the only national trade association focused exclusively on small and mid-sized independent mortgage banks (IMBs).