

**Statement of Ann Grochala, ICBA Vice President for Lending and Housing Policy
Before House Financial Services Committee Ranking Member Maxine Waters’
Panel Discussion: “A Way Forward for Housing Finance Reform: Finding Sustainable
Solutions to Ensure Access, Affordability, and Taxpayer Protection”**

**June 28, 2013
Washington, D.C.**

Good Morning. I am Ann Grochala, Vice President for Lending and Housing Policy at the Independent Community Bankers of America, which represents over 7,000 community banks across America. Community banks and the communities they serve have a large stake in the future of housing finance and we are keenly interested in proposals to reform the secondary mortgage market. Thank you for the opportunity to participate in this important discussion.

Community banks represent approximately 20 percent of the mortgage market, but more importantly, their lending is concentrated in the small towns and rural areas of our country, which are not often effectively served by large banks. Any mortgage reforms that constrain lending by community banks will seriously harm these communities.

Access to a robust secondary market is vitally important to community banks as they do not have the resources needed to effectively hedge the interest rate risk inherent to long-term fixed-rate lending. Secondary market sales make it possible for community banks to offer these loans without the risk exposure.

ICBA has developed a comprehensive set of principles for secondary market reform, which I will summarize as follows:

- **Community banks must have equal and direct access.** Community banks must be able to sell loans individually, for cash not securities, under the same terms and pricing available to larger lenders.
- **There can be no appropriation of customer data for cross-selling of financial products.** Community banks must be able to preserve their customer relationships after transferring loans.
- **Originators must have the option to retain servicing and servicing fees must be reasonable.** Servicing is a critical aspect of the relationship-lending business model so important to community banks.
- **There should be no retail origination.** Secondary market entities must not be allowed to compete with originators at the retail level where they would enjoy an unfair advantage.
- **Private capital must protect taxpayers.** Securities issued by the secondary market entities must be backed by private capital and third party guarantors. Government catastrophic loss protection, which is critical during periods of market stress, must be fully and explicitly priced into the guarantee fee and the loan level price.

Any reforms that are not consistent with these principles could drive further consolidation of the mortgage market, which would harm borrowers and communities, and put our financial system at risk of another collapse.

Again, thank you for the opportunity to share our views. We look forward to working with you as the Financial Services Committee takes up housing finance reform and we hope you will recognize the critical role played by community bank mortgage lenders.