INDEPENDENT COMMUNITY BANKERS of AMERICA®

June 13, 2013

Regulations Division
Office of General Counsel
Department of Housing and Urban Development
451 7th Street, SW
Room 10276
Washington, DC 20410-0500

Re: Federal Housing Administration (FHA) Approval of Lending Institutions and Mortgagees: Streamlined Reporting Requirements for Small Supervised Lenders and Mortgagees. Docket No. FR-5536-P-01, RIN 2502-AJ00

Dear Sir or Madam:

The Independent Community Bankers of America[1] (ICBA) welcomes the opportunity to comment on the rule proposed by the Department of Housing and Urban Development (HUD), **Federal Housing Administration (FHA) Approval of Lending Institutions and Mortgagees: Streamlined Reporting Requirements for Small Supervised Lenders and Mortgagees.** The proposed rule would streamline the FHA financial statement reporting requirements for lenders and mortgagees who are supervised by federal banking agencies and whose consolidated assets do not meet the thresholds set by their supervising federal banking agencies for submission of audited financial statements (currently set at $500 million in consolidated assets).

The proposed rule would permit small supervised lenders and mortgagees to submit the unaudited financial regulatory reports as of their fiscal year end required by their supervising federal banking agency (Call Reports or Thrift Financial Reports) in the place of annual audited financial statements. Audited financial statements would only be

1 The Independent Community Bankers of America®, the nation's voice for more than 7,000 community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education and high-quality products and services.

With nearly 5,000 members, representing more than 24,000 locations nationwide and employing more than 300,000 Americans, ICBA members hold more than $1.2 trillion in assets, $1 trillion in deposits, and $750 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

required if HUD determines that the lender or mortgagee poses a heightened risk to the FHA insurance fund.

ICBA strongly supports the proposed rule that puts into regulation existing interim reporting requirements and modifies the final rule published April 20, 2010, that required all supervised lenders and mortgagees to submit annual audited financial statements, a requirement that many community banks found to be too costly to continue using the FHA program. We greatly appreciate the willingness of HUD and FHA to address the regulatory and financial burden imposed on many community banks by the April 2010 rule. We ask that the agencies continue this work by issuing a proposed rule that would provide permanent relief from the costly internal control and compliance audit requirements imposed on small supervised lenders and mortgagees. Mortgagee Letter 2012-29 issued in December, 2012 has provided an exemption from internal control and compliance reporting requirements, but providing a regulatory exemption would provide community banks greater certainty that they will not face the unnecessary reimposition of the requirements so they can make a business decision to offer FHA loans in their communities. Community bank residential mortgage lending activities have posed very little risk to the insurance fund and residents of the smaller communities that community banks serve should have access to FHA mortgages.

We appreciate the opportunity to comment on the proposed rule. If you would like to discuss our comments further, please contact me at ron.haynie@icba.org.

Sincerely,

/s/

Ron Haynie
Senior Vice President- Mortgage Finance Policy
Independent Community Bankers of America