



CBAI Urges the CFPB to Withdraw a Flawed Proposal to Limit Banks' Ability to Accurately Calculate a Borrower's Ability to Repay

In a July 29, 2024, comment letter to the Consumer Financial Protection Bureau (CFPB), the Community Bankers Association of Illinois (CBAI) urged the Bureau to withdraw their flawed proposed rule (Proposal) which prevents credit bureaus from reporting information on medical debts and prohibits banks from using that information in calculating a borrower's ability to repay (ATR) in the loan underwriting process.

The CFPB showed a disturbing flawed logic in concluding that the solution to the problem of inaccurate medical information being reported to the credit bureaus is to stop this information from being reported and its consideration by lenders. Instead, the Bureau should focus its attention, logically, on ensuring the accuracy of medical debts being reported to the credit bureaus.

The Bureau also showed a disturbing lack of understanding of the basics of loan underwriting (i.e., the 5 Cs of Credit), in particular, a lender's analysis of a borrower's Capacity (ability to pay back the loan) and Capital (financial flexibility in the event of a disruption in the primary source of repayment.)

Unfortunately, forcing lenders to not properly calculate a borrower's ATR put community banks in the middle of an irreconcilable regulatory conflict between their regulators who require the accurate calculation of ATR and the CFPB which is proposing to prohibit them from considering potentially significant medical debt.

CBAI sent copies of this comment letter to the Federal Deposit Insurance Corporation, Office of Comptroller of the Currency, and Board of Governors of the Federal Reserve System urging them to engage with the CFPB and prevent the Bureau from harming the banks that the banking regulators are responsible for supervising for safety and soundness.

[Read CBAI Comment Letter to the CFPB »](#)