www.rcu.org

July 27, 2011

Ms. Jennifer Johnson
Secretary
Board of Governors of the Federal Reserve
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

Ladies and Gentlemen:

Royal Credit Union, a $1.2 billion asset institution, serving 137,000 Members, welcomes the opportunity to provide the following comments to the Federal Reserve Board's proposed comment letter to the proposed risk retention rule required by Section 941 of the Dodd Frank Act (PL. 111-203).

Although we support much of the proposed rule, we do have a number of issues we ask you to consider. In 2010, we originated 1,384 mortgage loans for a total of $144 million and service a portfolio of approximately 9,000 outstanding mortgages carrying a total value of $857 million. Of the new loans originated in 2010, almost 60% originated at more than 80% loan to value. Our credit union, which did not participate in the exotic mortgages and other irresponsible lending practices that brought on so much of downturn that is still dragging on the economy today, has always been a careful lender that implemented best practices, employed staff with extensive industry experience, and have kept our Member's best interest in mind in the development and application of our underwriting standards.

Royal Credit Union has concerns about the unduly narrow definition of the Qualified Residential Mortgage (QRM). We are particularly concerned about the consequences of establishing a high down payment requirement of 10% or 20% (or more for refinances) as well as unnecessarily restrictive debt-to-income and rigid credit history requirements. Without significant changes to the narrow QRM definition, we believe the rule would raise the cost of mortgages and reduce access for creditworthy borrowers, while frustrating the nation's fragile housing recovery.

We would ask that you consider the following issues regarding the proposed rule:

1. QRM rules as currently defined are unnecessarily narrow and will penalize those institutions that stayed true to the objectives Dodd-Frank is trying to legislate even during the height of abusive lending practices and lax underwriting standards.

2. The rule as proposed raises future concerns for the products available to credit unions and their Members because even though GSE sold loans are currently exempt, there is an

PO Box 970 Eau Claire, WI 54702-0970 715-833-8111 or 1-800-341-9911

anticipated trickle down affect of the QRM definition being applied to many other areas of risk concentration and regulation.

3. While credit unions have originated higher LTV loans in a prudent manner as shown with delinquency trends well below industry, this rule would seem to force a future change of either selling direct to the market and meet reserve requirements or selling to a few very large financial institutions with the capital to support the required reserve. If the latter option is chosen, the fee associated with the risk retention from the buying financial institution will likely be higher than the actual cost to the financial institution creating a unlevel playing field in the mortgage industry when comparing consumer mortgage costs between the large financial institutions and the small financial institutions.

4. We may be faced with selling loans service released driven by new outlets for liquidity, which would not be beneficial as a Member retention strategy. Today we choose to retain servicing on our loans because of the underlying value of the overall Member relationship, so a change to selling service-released would likely adversely affect our Member relationship and retention strategies.

In conclusion, we generally support the proposed rule's purpose. We feel providing the proposal as written unnecessarily prevents some consumers the ability to purchase homes and would greatly affect institutions with proven capabilities of effectively underwriting mortgages from serving our Members to the best of our abilities.

Thank you for considering our comments.

Sincerely,

Randy L. Beck
Executive Vice President – Facilities and Risk Management
Royal Credit Union