

Proposal: 1411 (7100-AD70) - Credit Risk Retention

Description: The Board proposed a rule that would require sponsors of asset-backed securities (ABS) to retain at least 5 percent of the credit risk of the assets underlying the securities, and define qualifying residential mortgage. (Regulation RR)

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From: Sumner Bank and Trust, Ken Irvin

Subject: Credit Risk Retention - Reg RR

Comments:

Public Comments on Credit Risk Retention:

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I fear that if the credit risk retention bill becomes law that small community banks will no longer be able to originate loans outside the defined QRM program. If our bank were to be required to hold 5% of all loans with the LTV above 80%, we would be forced to stop making those loans. If the community banks stop making loans greater than 80% LTV the consumer will be forced to a much more limited pool of lenders and be forced to pay a higher price for these programs. At a time when our economy is in need of a housing recovery, this law will limit your people buying home which will only continue the downward slide in home values.

Sound underwriting is the answer. Look at the success of the VA program. 100% loan and no monthly MI. Lower default rates because they never allowed the stated income or other crazy programs that were so available over the last ten years. Go back to your 1990 guidelines for underwriting files, which for the most part we have already, and when enough time has passed to clear out the bad loans that are still in the system, you will see your default rates fall.

Don't cause further damage to our housing market by passing this law.