

From: HNB Mortgage, Suzanne Smith
Proposal: 1417 (RIN 7100-AD75) Reg Z - Mortgage Repayment Standards
Subject: Reg. Z

Comments:

Subject: Docket No. R-1417 and RIN No. 7100-AD75 John Cornyn:

As the President and owner of a small to mid-size Mortgage Banking Firm from your state, I am writing to express my grave concerns regarding the proposed rule by six federal financial regulators (FDIC, Federal Reserve, OCC, HUD, FHFA, and the SEC) to implement the risk retention provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. In passing the Dodd-Frank Act, Congress recognized the impact an across-the-board risk retention requirement could have on consumers and the markets. An amendment was added to exempt affordable and properly underwritten mortgages, known as Qualified Residential Mortgages (QRM). While I support the intention of the QRM exemption, this regulatory proposal differs significantly from what Congress intended, and will exclude many credit-worthy families from the dream of owning a home. Specifically, I ask that you please contact federal regulators and urge them to remove the rigid down payment, loan-to-value (LTV) and debt-to-income (DTI) requirements included in the proposed QRM definition. As an example of the overly restrictive requirements in the proposal, in some areas of the country it could take up to 18 years for a moderate income family to save for a 20 percent down payment in order to qualify for a QRM. The DTI requirements are equally daunting and do not provide for consideration of compensating factors such as cash reserves. Clearly these requirements will put homeownership out of reach for far too many families. Please thank the regulators for extending the public comment period to August 1, 2011. Given the range of issues and what is at stake, getting this rule right is far more important than any other imperative. If the rule were to simply require mortgage loans to be well documented, and prohibit risky product features, the legislative objectives would be satisfied, and the harmful consequences of the proposed rule would be avoided. A parallel rule, proposed by the Federal Reserve to implement Dodd-Frank's ability to repay provisions, and define a "Qualified Mortgage" (QM) safe harbor, actually takes such an approach -- the QM proposal should guide the QRM rulemaking as well. Again, on behalf of the thousands of real estate finance professionals from across our state, I ask that you please contact federal regulators to ensure they act as Congress intended so that American families are not harmed and our economy continues to improve. Thank you for your time and consideration. I look forward to receiving your response.

Sincerely,

Suzanne Smith
HNB Mortgage

