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October 15th, 2012

Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve
20th St. and Constitution Ave. NW
Washington, DC 20551
Docket No. R-1443

Monica Jackson
Office of the Executive Secretary
Bureau of Consumer Financial Protection
1700 G St. NW
Washington, DC 20552
Docket No. CFPB-2012-0031

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th St. NW
Washington, DC 20429
FDIC and Truth in Lending (Regulation Z)

Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA58
Federal Housing Finance Agency
400 7th St. SW
Eighth Floor
Washington, DC 20024

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke St.
Alexandria, VA 22314-3428
RIN 3133-AE04

Office of the Comptroller of the Currency (OCC)
250 E St. SW
Mail Stop 2-3
Washington, DC 20219
Docket ID OCC-2012-0013

Re: Appraisals for High-Risk Mortgage Loans
Truth in Lending Act (TILA) Amending Regulation Z

To Whom It May Concern:

Quicken Loans Inc. ("Quicken Loans") is pleased to submit its comments on the Proposed Appraisal Rules for High-Risk Mortgage Loans by the Board of Governors of the Federal Reserve (" Board"), Consumer Financial Protection Bureau ("Bureau"), Federal Deposit Insurance Corporation ("FDIC"), Federal Housing

Finance Agency ("FHFA"), National Credit Union Administration ("NCUA"), and the Office of the Comptroller of the Currency ("OCC"), collectively referred to as the "Joint Agencies." As background, Quicken Loans has been in business since 1985, and has approximately 8,000 employees, most of them working in downtown Detroit. We do business in all 50 states and are the nation's largest online lender, one of the four largest retail mortgage lenders, one of the three largest FHA lenders, and a top five VA mortgage lender. We closed over $30 billion in mortgage loans in 2011, helping almost 150,000 homeowners. J.D. Power and Associates has ranked Quicken Loans highest in Customer Satisfaction for Primary Mortgage Origination in the U.S. for years 2010 and 2011. Additionally, we service over $67 billion of loans for approximately 361,000 clients which would rank us in the top 20 largest servicers in the country.

GENERAL COMMENTS

We thank the Joint Agencies for the opportunity to comment on its proposed rules regarding appraisals on high-risk mortgage loans. This proposed appraisal rule is just one of many undertakings from the Bureau, and other agencies, that will vastly change the makeup of the mortgage market for the foreseeable future. As we previously noted in our letter to the Bureau regarding the High-Cost Mortgage Proposed Rule, we believe that the utmost care and attention must be given as to how these rules, along with the others mandated by the Dodd-Frank Act ("Dodd-Frank"), all tie together and how they may adversely affect the mortgage market as a whole. While one rule could appear to have little to no effect on another, in practice, there is much overlap.

Furthermore, a key concern worth mentioning is with so many rules being proposed at the same time, overlap is likely to occur. The Bureau and/or Joint Agencies are proposing many new loan classifications that will have a significant impact on the mortgage market. By way of illustration, we have listed below the seven different loan classifications (some proposed and some already effective) that a lender will need to verify on each consumer that obtains a mortgage:

- Higher-risk mortgage (proposed appraisal rule)
- Higher-priced mortgage loan ("HPML")
- State higher-priced mortgage loan
- High-cost mortgage loan ("§32")
- State high-cost mortgage loan
- Qualified Mortgage loan ("QM")
- Qualified Residential Mortgage loan ("QRM")

A key concern worth mentioning in the loan classifications listed above is the distinction between affiliated and non-affiliated service providers used in the many different points and fees calculations. At Quicken Loans, we made the choice to establish an affiliated title and appraisal services provider for the sole purpose of helping to provide the consumer a better mortgage experience. Affiliated providers speed up closings and provide similarly-priced options for a consumer. We believe that by offering affiliated services to consumers, we provide a better experience for the consumer through a more efficient loan process from application through closing. Additionally, we agree that a level playing field is the best way for all lenders to be competitive, and for consumers to be able to compare apples-to-apples when shopping for a mortgage loan. As an example, the cost for title insurance to the consumer does not vary from title agent to title agent whether there is or is not an affiliation because agents are bound by their underwriter's filed rates.

In addition, with these different loan classifications, and different points and fees definitions, lenders will need to interpret the rule, program each rule into their system (and ongoing maintenance), train staff, and test each individual consumer's situation to validate compliance with all of the categories. The end result will be a slower, more confusing and more costly origination process for the consumer. More importantly, it is uncertain what additional protections will be provided to the consumer from so many different loan classifications. As such, we urge the Bureau and/or the Joint Agencies to develop one standard as a baseline to facilitate compliance with all rules.

For example, as proposed in the multi-agency rule on a higher-risk mortgage, it expressly excludes loans that meet the definition of a Qualified Mortgage.

In addition to the new loan classifications, we also have five different calculations (some proposed and some already effective) that a lender will need to use in order to provide accurate disclosures and complete high-cost testing on each consumer that obtains a mortgage:

- Total Interest Percentage (“TIP”)
- Annual Percentage Rate (“APR”) (depending on the state, even if the all-in APR is adopted, some states may choose to keep the current APR for state high-cost tests.)
- “All-in” APR
- Transaction Coverage Rate (“TCR”)
- Zero-zero alternative (Regulation Z, Loan Officer Compensation Proposed Rule)

Again, with these different calculation classifications, a lender will need to interpret the rule, program each calculation into their system (and ongoing maintenance), train staff and test each individual consumer’s situation to validate compliance. The end result is a slower and more confusing origination process for the consumer. More importantly, we would argue that any value brought to the consumer from these additional calculations is minimal. Therefore, we hope the Bureau will recognize that the development of multiple calculations for lenders to program and maintain is a huge compliance burden. And, with new calculations, the mortgage industry will continue to experience unnecessary compliance and litigation costs defending how it interpreted each extremely complicated calculation.

We would be remiss by not bringing up the concerns we have with the tight deadlines that the Bureau and/or the Joint Agencies are under as laid out by Dodd-Frank. The Bureau and/or the Joint Agencies must understand that releasing so many important mortgage rules at the same time that affect so many different facets of the business will cause massive changes to the way lenders do business. The sheer number of proposals is making it nearly impossible for us and many other companies to properly analyze and interpret the proposed rules in order to provide valuable data and feedback. At the same time, we have concerns that the Bureau is also rushing to complete rules under tight deadlines and may not be diligently exploring rules and their consequences before publishing them. As a data-centric agency, the Bureau should take as much time as necessary to get all the facts and information before moving forward. While we understand the need to impose additional rules on the mortgage industry to correct deficiencies that came to light during the last few years, we encourage the Bureau and/or the Joint Agencies to explore options for extending the deadlines on this proposed rule and any other proposed rules they feel they need more time on so we can implement a comprehensive solution that works for everyone rather than rushing rules that will fundamentally change the mortgage process and very likely will produce unintended consequences.

While we are aware of the Bureau's and/or the Joint Agencies' tight deadlines to meet the Dodd-Frank requirements, lenders will also have to meet the tight implementation deadlines set by the Bureau and/or the Joint Agencies, and with the many final rules that will be released simultaneously, lenders will need the maximum time possible to implement changes in a way that best serves consumers with the least amount of confusion and disruption to the mortgage market. Because of this, we propose at least 18 months for the implementation period. This will ensure that we will be able to incorporate the changes properly to avoid unnecessary confusion for our clients

<u>SPECIFIC COMMENTS ON HIGHER-RISK MORTGAGES</u>

Again, we thank the Joint Agencies for allowing us to comment on the proposed higher-risk appraisal rules. Below you will find our specific comments. In general, we support many of the proposed initiatives by the Joint Agencies. We agree that any loan that is designated as a Qualified Mortgage ("QM") should be exempt from the high-risk appraisal rule.

In general, the proposed rule states that:

1) A lender cannot make a higher-risk mortgage loan unless a written appraisal based on an interior and exterior physical inspection is obtained by a qualified appraiser;
2) Higher risk mortgage loans be defined as home loans with rates that are higher than certain thresholds, and;
3) The alternatives to use for the thresholds potentially include a new metric for a determining a closed-end loan, the Transaction Coverage Rate ("TCR"), a more inclusive finance charge calculation.

Below are our suggested improvements.

1) Written Appraisals and Other Appraisal Rules

The proposed rule is asking that lenders get an additional appraisal, at no cost to the consumer, if the seller acquired the property 180 fewer days at a lower price. The rule merely states that the additional appraisal cannot be performed by the same certified or licensed appraiser. Quicken Loans is seeking confirmation that it is allowed to hire a certified or licensed appraiser from the same appraisal firm and the same appraisal management company. This would create an undue burden on financial institutes as many companies, such as Quicken Loans, order all of its appraisals through the same appraisal management company.

Quicken Loans is also concerned with the term acquisition and is in support of using the term purchase acquisition. If the term is simply acquisition it would include properties acquired via inheritance, divorce, etc. People acquiring property in this manner typically acquire the property for nominal consideration so the sale price would most likely always prompt this rule. Also, these people are typically in the business of selling the property quickly as to avoid expenses involved with maintaining the property. There are several anti-flipping rules in place to protect against this type of problem and using the general term acquisition would delay the closing process for these consumers who want to sell the property expeditiously.

We also are asking the Joint Agencies to provide a threshold amount or percentage of how much more the home must be sold for in this time frame. If no threshold amount or percentage is provided, a literal reading would lead to an additional appraisal if the property was sold for even one dollar more than the seller acquired it for. The purpose of this rule is to prevent house flipping but a seller who is simply trying to sell the property for what he or she paid, plus the expenses associated with purchasing and selling a home, would be included in this rule when we don't believe this is the intention. Quicken Loans is suggesting a 10% threshold as it is customary in the industry to expect to net 90% of the sale price after paying realtor fees and other closing expenses.

The Joint Agencies are also considering rural exemption from the additional appraisal requirement. This is something that Quicken Loans is in support of. In rural areas, finding someone with a knowledge base to properly evaluate a property is difficult enough, let alone trying to find two qualified appraisers. This would again add days, weeks, or even months onto the closing time, something that provides no benefit to the consumer and actually harms him or her.

<u>2) and 3) Calculations for Determining High-Risk Mortgage Loans</u>

As stated above, we are very concerned with the many different definitions being proposed. Whatever the final determination is, it should be consistent with any other existing rule or proposed rule.

<u>Safe Harbor</u>

Lastly, the proposed rule provides the lender with an appraisal safe harbor deeming the lender in compliance with the requirements of the rule. Quicken Loans agrees with the safe harbor provisions as written.

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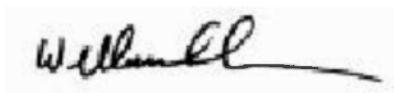
We thank you for this opportunity in allowing us to comment on the proposed rule for higher-risk appraisals. Should you have any further questions, please contact Shawn Krause at (313) 373-7773 or at ShawnKrause@quickenloans.com.



William Emerson
CEO
Quicken Loans