National Association of Federal Credit Unions
Regulation RR
Docket No. 2011-1411

On December 3, 2012, representatives of the National Association of Federal Credit Unions (NAFCU) met with Vice Chair Janet Yellen to discuss the interagency proposed rule on credit risk retention. NAFCU members expressed concerns about the rule's proposed requirements for "qualified residential mortgages." NAFCU submitted written comments, which are provided below.

Government Sponsored Enterprises and Qualified Residential Mortgages

The Dodd-Frank Act also directed the Federal Housing Finance Agency (FHFA) to create parameters for "qualified residential mortgages" (QRM). The FHFA issued a proposed rule that would generally require securitizers to retain at least five percent of the risk for home mortgages. The proposed rule would eliminate this requirement for mortgages that meet certain underwriting standards and that thus qualify as QRMs. Among other things, the QRM exception requires a down payment of 20 percent. While credit unions are technically exempt, the rule's impact will nevertheless be felt by any participant in the mortgage market. Accordingly, NAFCU opposes the 20 percent down payment requirement, as it would inevitably decrease the availability of mortgage financing for moderate- and low-income borrowers.

Moreover, the QRM proposal raises the broader question regarding the long-term health and viability of the secondary mortgage market. Credit unions rely heavily on the secondary market to make mortgage loans. Without a healthy secondary market, credit union mortgage lending would decrease significantly. The government should take steps to ensure there is a healthy and vibrant secondary market.