



October 25, 2010

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW.
Washington, DC 20551

RE: R-1392; Escrow Requirements for Higher-Priced Mortgage Loans

Dear Ms. Johnson:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions (FCUs), I am responding to the Federal Reserve Board's (Board) proposed rule regarding the threshold for determining coverage of the Board's escrow requirement applicable to higher-priced mortgage loans.

The proposed rule would implement Section 1461 of the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which provides a separate threshold for determining coverage of the Board's Regulation Z provisions on higher-priced mortgage loans. Under the proposal, for loans that exceed the Freddie Mac maximum principal loan-size limit, the escrow requirements apply only if the Annual Percentage Rate is 2.5 percent or higher than the applicable average prime offer rate.

NAFCU strongly supports the proposed increase of the threshold. We believe that the proposed increased threshold could help credit unions to better manage interest rate risk relative to higher-priced mortgages. We also appreciate that the Federal Reserve has acted quickly to implement Section 1461 as it provides appropriate relief.

We would like to take this opportunity, however, to request one particular addition to the proposal and also address the implementation of the Dodd-Frank Act's "qualified mortgage" provision contained in Section 1412.

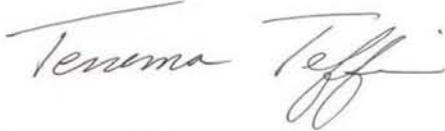
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First, we ask that the Federal Reserve add a reference to Fannie Mae to the proposed § 226.35(b)(3). As proposed, this section references the maximum loan amount set by Freddie Mac. While we recognize that the Dodd-Frank Act similarly references only Freddie Mac, we have no doubt that Congress intended that the loan-size amount set by Fannie Mae would also apply.

In addition, we would like to take this opportunity to encourage the Board to use its discretionary authority under Section 1412 of the Dodd-Frank Act to “revise, add to, or subtract” from the criteria that defines “qualified mortgages.” NAFCU believes that some revisions are necessary to ensure that affordable mortgage credit remains available to consumers. Given that the definition impacts a number of other new requirements under the Dodd-Frank Act and implementing regulations, including the ability to repay requirements under Section 1411 and appraisal requirements under Section 1471, we ask that the Board issue proposed regulations with appropriate revisions as soon as possible.

NAFCU appreciates this opportunity to share its comments on the proposed rule. Should you have any questions or require additional information please contact me at (703) 842-2268 or by e-mail at ttefferi@nafcuhq.org.

Sincerely,

A handwritten signature in cursive script that reads "Tessema Tefferi". The signature is written in black ink and is positioned above the typed name and title.

Tessema Tefferi
Associate Director of Regulatory Affairs