From: David Shamansky

Subject: Credit Risk Retention - Reg RR

Comments:

To whom it may concern:
I wish to present a critical set of facts that seems to be constantly overlooked from all the comments and blog reports I read regarding this Lender Risk Retention QRM requirement.
It goes without saying that underwriting guidelines were all but non existent in from roughly 2005-2007. However if we take a closer look at the mix of these loans, the mortgage loans that had the greatest percentage of default ratio's were the high ltv]90% Non Owner Occupied (investment properties) and every form and fashion of stated income, stated assets, no income and no asset verifcation options. When we disregard a borrowers ability to repay, the likelihood of the loan not having the capacity to debt service is substantially high. Also when we do not require a substantial down payment and equity for an investment property, those loans are likely the first to go into default as the owner is not being displaced on his investment property and if a substantial down payment was not required then the owner "cash loss" is limited as is his/her reason for honoring the loan commitment they made.
Just some of the things that exist today that were not around during these years are the following...
1st - We have had a complete 180 degree reversal in the way our industry operates in the last several years with all critical loan items being removed from teh originator.
2nd - there are NO loans that can be completed without the borrower providing a full and complete income history for the past 2+ years.
3rd - all loans (aside from current FNMA and FHLMC insured loans that qualify for the HASP program) require a down payment
4th - all loans go through a stringent HVCC compliant appraisal review process
5th - all loans now limit the debt to income between 45-50% of a borrowers verified debts
6th - credit requirements have increased from none at all to 640 min (owner occupied) 700 min (investment properties)
7th - HERA has been enacted to ensure a much slower process from start to finish
8th - GFE revision now requires loan options to borrowers for choice in loans and fees cannot be changed once agreed to
9th - TIL changes have been iimplemented to match the total payme nt a borrower is to receive (which includes all principle, interest, taxes and insurances)
10th - YSP to brokers have been eliminated so any "upsell" that is gained from a higher rate and paid by the lender is required to be applied to the borrowers costs to provide an increased benefit
11th - Safe harbor is now implemented and the 4/1/11 Fed Rule regarding Loan Officer compensation so the type of loan a borrower chooses has absolutely no bearing to the loan officer compensation, as they receive the exact same compensation regardless of loan the borrower chooses so information regarding loan option should be accurate and honest.
When you look at all of the changes that have been taken in the mortgage lending industry since 2009, it is not hard to discern why the quality of loans originated have been the best performing loans in over 20 years and this comes during times of a serious economic rescession and decline in home values!
To further impair a lenders ability to lend by requiring a 5% "skin in the game" law for, what is still to be determined, QRM will only add to the decline in home values and increase in foreclosure rates as fewer and fewer borrowers

will be able to qualify for a loan to either buy a new home or to improve the loan they currently have. This will not only do the opposite of what I see being talked about, which is to attract private investors back into the very market they were driven out of just a few years ago, but will put further and further strains on FHA, FNMA & FHLMC to continue to deliver all the mortgage loans for the entire country. Housing is a critical component to the recovery of our markets but could provide a substantial boost if not further impaired by non needed legislation. If a 5% lender risk retention were required to be implemented then, with proper circumstance, I am all in favor. If a stated income and verified asset product were to come back into market for a WELL qualified owner occupied borrower with equity then for something risky like that a 5% "skin in the game" from the lender would make total sense as the lender is utilizing its understanding of the borrower qualifications, risk associated with the loan type and their local housing market and should make an investment into the loan they desire to take chance on that is outside of standard guidelines but when its for loans with equity, in an equity starved market, with good credit and fully income qualified borrowers, we are only going to delay any housing recovery we may be close to and furthe increase burden on the GSE's.

I pray that these comments will be looked on and given serious consideration before this bill is completed into law and the grave consequences, not seen by many, come to light and require further bills/laws to correct this non necessary error.

Sincerely

David Shamansky