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Washington, DC 20552
RIN 2590-AA43

Jennifer J. Johnson
Secretary, Federal Reserve Board of Governors
20th Street and Constitution Ave. NW
Washington, DC 20551
Docket No. R-1411 RIN 7100-AD-70

Subject: Northwest Credit Union Association Comments Re: Joint Agency Proposal on Credit Risk Retention

Thank you for the opportunity to comment on this proposed rule on Credit Risk Retention. The Northwest Credit Union Association represents Oregon and Washington's 193 credit unions with over 4.3 million members and \$46 billion in assets. While we support sensible lending reforms we believe the Qualified Residential Mortgage (QRM) standard within this proposal as issued by the Office of the Comptroller of the Currency, Federal Reserve Board, Federal Deposit Insurance Corporation, Federal Housing Finance Agency, Securities and Exchange Commission, and Department of Housing and Urban Development (the Agencies) could set a negative precedent and eliminate potential borrowers from the mortgage market.

Credit unions are member-owned not-for-profit cooperatives with a mission to serve member interests, providing better service and quality financial services at a lower cost than other institutions. Because of this mission, credit unions practice sensible and responsible lending and support reforms that would help to create a secondary mortgage market that is safe, sound, and equally accessible.

Credit unions were largely not the impetus for the financial reforms included in the Dodd-Frank bill. However, as the financial overhaul law is implemented the unintended consequences of those reforms are hitting small institutions such as credit unions and community banks hard. Because of this onslaught of new regulation, credit unions find themselves in a constant state of revamping policies, retraining staff, and updating disclosures and forms. We urge the agencies to consider these compliance consequences when implementing new regulations such as those included in this proposed Credit Risk Retention rule.

The narrow underwriting parameters within the proposed QRM standard could potentially keep millions of Americans out of the mortgage market. Including highly restrictive credit history requirements, high down payment/loan-to-value ratio requirements, and low debt-to-

income ratios, the proposal goes far beyond the intent of lawmakers when including risk retention provisions in Dodd-Frank. Restricting the flexibility of lenders to work with borrowers to find the best market solutions could exempt many potential borrowers from entering the housing market, cooling any burgeoning market recoveries.

While the majority of credit union loans would currently be exempted from the proposed rule, because they are generally held to the underwriting standards of Fannie Mae and Freddie Mac, the impending GSE reform could make the future for smaller lenders uncertain. The reform and potential dismantling of Fannie Mae and Freddie Mac could leave regulators with a sense that a QRM standard is necessary to ensure sensible lending practices - although such lending has not been at issue.

The Association finds the restrictions as laid out in the proposal to be overly narrow, potentially hindering the recovery of the housing market. We join with lawmakers in calling on the agencies to revise the proposed QRM standard to address the original legislative intent of the provisions as included in Dodd-Frank—which was not restricting the availability of credit to middle class Americans working to own their own homes.

Again, we appreciate the opportunity to weigh in on this proposed rule and would be pleased to answer any questions you may have.

Respectfully,

Jaycee Winn
Director of Regulatory Advocacy
Northwest Credit Union Association