

July 22, 2011

Jennifer J. Johnson  
Secretary of the Board  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

**RE: Docket No. R-1417 and RIN No. 7100-AD75**

The Georgia Credit Union League (GCUL) appreciates the opportunity to comment on the Federal Reserves proposal to institute ability to repay rules.

As a matter of background, GCUL is the state trade association and one member of the network of state leagues that make up the Credit Union National Association (CUNA). GCUL serves approximately 149 credit unions that have nearly 1.9 million members. This letter reflects the views of our Regulatory Response Committee, which has been appointed by the GCUL Board to provide input into proposed regulations such as this.

GCUL commends the Agency's efforts to protect consumers by requiring creditors to apply minimum mortgage underwriting standards not only to higher priced mortgages but to all loans secured by a dwelling.

#### **Ability to Repay Standard**

Response from credit unions indicates there would not be a significant impact on credit unions in Georgia due to the underwriting standards set by this rule. Requiring all lenders to adhere to ability to repay rules will help eliminate abusive practices and facilitate consumers' ability to adequately compare mortgage products.

#### **Qualified Mortgage Criteria**

The points and fees thresholds are overly restrictive for smaller loans. On occasion, total points and fees exceed 3%. This restriction could cause pricing based on percentage of the loan amount and not on actual cost. It's potentially problematic because some fees are based on actual fixed costs that don't vary based on loan amount such as appraisals, credit reports, flood certifications, third party fees, etc. This could unintentionally negatively affect the availability of credit.

Underwriting the payment for an adjustable rate mortgage based on the fully indexed rate could have a negative impact. Most lenders qualify the borrower for the payment that will result at closing and in the interim fixed rate period. This may impact rates for some borrowers for these types of products.

### **Verification of third party records**

Documents prepared by the consumer and not viewed by a third party should be allowed at the discretion of the underwriter. This practice is already used by credit unions and other lenders for unbanked borrowers that do not use traditional credit sources. In fact, some credit unions serve significant numbers of immigrants, as well as self-employed, who may not have documents such as W-2 forms, pay stubs, and other traditional verification documents. In order to continue mortgage credit for these groups, we request that qualified mortgages can be underwritten based primarily or exclusively on financial institution records so long as those records show ability to repay.

Flexibility is needed for verification of military employment as well where lenders may allow for other types of documentation for proof like a Leave and Earnings Statement. This discretion should be left to the credit union.

GCUA appreciates to opportunity to present comments on behalf of Georgia's credit unions. Thank you for your consideration. If you have questions about our comments, please contact Cindy Connelly or me at (770) 476-9625.

Respectfully submitted,



Cindy Turner  
Vice President/Compliance Services  
Georgia Credit Union League