HELENA ASSOCIATION OF REALTORS®
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July 26, 2011

Honorable Ben S. Bernanke
Chairman
Board of Governors of the
Federal Reserve System
Washington, DC 20551

Honorable Sheila C. Bair
Chairman
Federal Deposit Insurance Corporation
Washington, DC 20429

Mr. Edward J. DeMarco
Acting Director
Federal Housing Finance Agency
Washington, DC 20552

Honorable Mary L. Shapiro
Chairman
Securities and Exchange Commission
Washington, DC 20549

Honorable Shaun Donovan
Secretary
Department of Housing & Urban Development
Washington, DC 20410

Mr. John G. Walsh
Acting Comptroller
Office of the Comptroller of the Currency
Washington, DC 20219

Re: Credit Risk Retention Proposed Rule
Transmitted electronically to regs.comments@federalreserve.gov (Docket No. R-1411)

Ladies and Gentlemen:

On behalf of the Helena Association of REALTORS®, I urge you to reconsider your proposed rule to implement the risk retention provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act that are designed to discourage excessive risk taking by lenders and securitizers.

Congress did not intend to hurt credit worthy families when it passed the Dodd-Frank legislation. It specifically provided exemptions from the act for Qualified Residential Mortgages (QRM) that have lower risks of default. The proposed 20 percent down payment and other provisions contained within the proposed regulations will deny millions of Americans access to the lowest cost and safest mortgages.

The narrow definition of a QRM mortgage is simply not necessary to assure safe and sound mortgage lending. Traditional mortgages, without risky features such as teaser rates and balloon payments, coupled with sound underwriting and documentation of income and assets, perform well with relatively low default rates. During the recent crisis, for example, FHA loans with down payments as low as 3.5% have had a relatively low default rate, compared to subprime and Alt-A mortgages with risky features and weak underwriting.

Increasing the required down payment from 5% to 20% will have a negligible impact on reducing the default rate, however, the high down payment requirements will, as a practical matter, be a permanent bar to homeownership unless the family is able to obtain an FHA loan. Furthermore, since not all properties can qualify for an FHA loan, many sellers will not be able to accommodate buyers with FHA loans thus leaving many home owners and homes in a crisis situation.

According to most economists, the housing market is the single largest component of our national economy that has still not rebounded from the recent recession. If the proposed rules are adopted the federal government will be assuring the continuation of the recession for the foreseeable future. Please do not adopt the rules as currently proposed.

Please refer to the comments on the proposed rule submitted by the 45 member Coalition for Sensible Housing Policy for more detailed analysis of the problems that would be created by the proposal and citations to relevant data.

Thank you for the opportunity to comment on the proposed rule. We trust your response will be to reconsider the initial, unworkable approach and move forward with a broad definition of QRM that includes a full range of safe and sound mortgages to enhance access to homeownership for qualified, creditworthy homebuyers and homeowners and to avoid harm to the housing market or the American economy.

Sincerely yours,

Ryan Swinney, President
Helena Association of REALTORS®

cc: Honorable Timothy F. Geithner
Secretary
Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220