From: HNB Mortgage, Amanda Knox

Proposal: 1417 (RIN 7100-AD75) Reg Z - Mortgage Repayment Standards

Subject: Reg. Z

Comments:

To Whom It May Concern:

As a mortgage finance professional since 2002 I am writing in support for the establishment of a bright line safe harbor so that mortgage lenders will be able to offer sustainable credit to the greatest number of qualified borrowers. I have reviewed numerous websites, even just typing in safe harbor as part of the proposed ability to repay qualified mortgage regulation into Google search was amazing to see the out pouring of support from so many diverse organizations. There seems to be one clear message and that is to go back to the drawing board on the proposed QRM rule.

With the proposed QRM definition of high down payment, uncommonly low loan-to value and debt-to-income ratios you would be knocking out 70% of consumers. Based off the government data from 2009 only 30% of the loans purchased by Fannie Mae & Freddie Mac would have met the proposed requirements. These proposed QRM definitions are unnecessary and far too many qualified borrowers will be unable to achieve homeownership. As an example of the overly restrictive requirements in the proposal, in some areas of the country it could take up to 18 years for a moderate income family to save for a 20 percent down payment in order to qualify for a QRM. The DTI requirements are equally daunting and do not provide for consideration of compensating factors such as cash reserves. Clearly these requirements will put homeownership out of reach for far too many families.

The Safe Harbor would provide strong incentives for lenders to operate within the requirements but at the same time allow lenders to provide sustainable mortgage credit to the widest array of qualified borrowers. To comply, lenders would first have to consider and verify eight factors and base the mortgage payment calculation on the fully indexed rate or originate a QM, which would provide decreased liability. The rule goes on to offer two alternative approaches to QM for comment that come with different degrees of protection from liability to satisfy the ability to repay requirements. I am writing to support one of these alternatives: the provision of a "legal safe harbor" that the ability to repay requirement has been met. This approach would define a QM as a mortgage loan that: (1) does not include negative amortization, interest-only payments, or balloon payments (except as permitted for balloon payment qualified mortgages) or has a loan term exceeding 30 years; (2) has total
points and fees not exceeding three percent of the total loan amount ; (3) where underwriting (a) is based on the maximum interest rate in the first five years, (b) uses a payment schedule that fully amortizes the loan over the loan term, and (c) takes into account any mortgage-related obligations. The income or assets of the borrower must also be considered and verified. I believe this

approach is the most prudent way to ensure that the opportunity to purchase or refinance a home not denied to credit-worthy middle class families. It will also provide clear standards for mortgage lenders like me who are helping hard working families invest in our communities.

Thank you for your time and consideration.

Sincerely,

Amanda Knox
HNB Mortgage