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July 22, 2011

Ms. Jennifer Johnson
Secretary
Board of Governors of the Federal Reserve
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

Dear Ms. Johnson:

Re: Docket No. R-1417—Regulation Z "Ability to Pay" proposal to implement the minimum mortgage underwriting standards required by Title XIV of the Dodd-Frank Act

Royal Credit Union, a $1.2 billion asset institution, serving 137,000 members, welcomes the opportunity to provide the following comments to the Federal Reserve Board's proposed "Ability to Pay" mortgage lending rule.

Although we support much of the proposed rule, we do have a number of issues we ask you to consider. In 2010 we originated 1,384 mortgage loans for a total of $144million and service a portfolio of approximately 9,000 outstanding mortgages carrying a total value of $857 million. Our credit union, which not participate in the exotic mortgages and other irresponsible lending practices that brought on so much of downturn that is still dragging on the economy today, has always been a careful lender that implemented best practices, employed staff with extensive industry experience, and have kept our member's best interest in mind in the development and application of our underwriting standards.

Please consider:

- By narrowly defining underwriting standards without the consideration of other potential factors will inhibit the ability of our members with the ability to own a home from qualifying under the rules as proposed.

- Many elements of the proposed rules are inherent in the current underwriting standards of the credit union industry; however, several of the additional stipulations will add expense to the mortgage process which may in turn be passed on to the consumer.

- Some underwriting factors are more heavily weighted than others which can create a stronger overall loan. The proposed rule seems to assign an equal weight to all factors which would not allow a significant strength or weakness to be identified and measured against other less significant strength or weaknesses of the loan as a whole. Thus using a

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weighted approach could likely result in declining loans to consumers who may fall just short of one benchmark, but are well above average in all others. While at the same time a borrower may be just adequate in all areas evaluated in underwriting and would be approved, when in fact they would have a weaker overall borrower profile.

In conclusion, we generally support the proposed rule's purpose. We feel providing the proposal as written unnecessarily prevents institutions with proven capabilities of effectively underwriting mortgages from serving our members to the best of our abilities.

Thank you for considering our comments.

Sincerely,

Randy Beck
Executive Vice President – Facilities and Risk Management
Royal Credit Union

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