From: Parkside Lending LLC, Matthew J Ostrander

Subject: Credit Risk Retention - Reg RR

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Comments:

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Proposal: Credit Risk Retention
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RE: [R -1411] June 3rd, 2011 To whom it may concern: Please consider the following 4 points: 1. Many believe that securitization is not solely going to come back because of QRM. The secondary markets do need some sort of risk retention as part of the tools one can use to "kick start" the market (possibly in some segments) but there are many ways to do this properly (covered bonds come to mind). In fact, securities themselves, if properly rated and documented need not have any QRM at all but simply a sound structure to rate and then market the security properly to those that WANT the risk associated with losses and the high returns they bring. QRM does not address the ratings agencies acumen for rating mortgages nor their models. 2. Transparency, uniformity and proper rating of MBS, CDO and loan level data are crucial. In many respects these items are far more important than a "safe credit box" because they allow for the markets to decide for themselves the risk they will take for the reward it offers. The key for financial prosperity and the fundamental security of the secondary market is to be flexible in regards to the inevitable changing credit/risk cycle our markets normally undergo from time to time. If one were to have a rigid structure that was unable to breath with the markets then the much needed yields from certain risk would not be achievable and therefore QRM has the potential stymie certain parts of the markets looking for that risk and yield by creating an artificial barrier. Regulations can't protect the markets if we want to have normal credit expansion and risk. 3. Interest rates rising are more important to securitization (if this is the ultimate goal of QRM- to bring back private investment). Without this you can't get the yields out of the bonds to compete with the safety of the guarantees of the GSE + their artificial yield. The delta is just not there for the risk to the institutions that have the appetite. Therefore, interest rates are as or more important to the security market as quality. In fact, QRM is not going to do much for the investors if the yield is not there. 4. The approach the FDIC's initial paper took in regards to underwriting is not at all holistic and

this is a bad way to view credit. As credit providers, we underwrite the entire file holistically (that is: we look at credit, assets, liabilities, history, etc..) and we have different factors that mitigate others written into our guides. a. For example: if one were to look at a file where the DTI was 55 (rather high) but the FICO score 800, the LTV 15 and the Reserves 50 months- most would agree this file is a very good file. Under the proposed QRM guidelines this file would not be a good file and would thus be subject to more reserves and most likely a higher cost to the borrower relative to like product that fits in the QRM. Stating QRM is needed to bring back the market is misguided in some respects. There are risks related to this approach for both low income and high net worth borrowers. Both could be adversely impacted by this federal regulation. The impacts would most likely result in lower housing prices due to credit being more difficult to qualify. This in turn would lead to lower tax rates for local government and thus exacerbate the issues related to those local municipalities. Ultimately QRM may be directly tied back to a drop in housing prices. Considering the United States Housing market is recovering and it consists of 2/3 GDP in loans held for servicing, I think we all need to tread carefully to ensure this is wise. Sincerely, Matt Ostrander Matthew J. Ostrander Chief Executive Officer Parkside Lending, LLC