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Comments:

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Proposal: Credit Risk Retention
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I support the 5% risk retention rule as proposed for all but QRMs. It is a wonderfully common sense idea that lenders - those who write the loan documents, set the terms, create the structure, and review the worthiness of the creditor - retain a non-transferable interest in their own products. There is no better regulator than equity. In addition, I would also like to express support for the proposed 20% required borrower equity rule for exempted QRMs. If lenders want to make loans to those who have no "skin in the game" then they should have to keep a first loss 5% stake in the loan. A perfect exemption rule would be where - as proposed - in lieu of the bank's equity, the borrower demonstrated real hard equity commitment (e.g 20%). Such a system worked fine for centuries prior to securitization and I think it is no coincidence that these rules are coming under fire in an era where securitization is predominant.