From: Parkside Lending, Nathalie Lemaire

Subject: Credit Risk Retention - Reg RR

Comments:

Date: Jun 07, 2011

Proposal: Credit Risk Retention
Document ID: R-1411
Document Version: 1
Release Date: 03/29/2011
Name: Nathalie Lemaire
Affiliation: Parkside Lending
Category of Affiliation:
Address:
City:
State:
Country: UNITED STATES
Zip:
PostalCode:

Comments:

I am writing concerning the proposed Qualified Residential Mortgage (QRM) rules as they pertain to risk retention. I support the promotion of sound lending practices, but having worked in underwriting, loss mitigation and credit risk for over 15 years, I believe the logic that the loans exempt from the risk retention requirement present a low credit risk is flawed. The underwriting standards for QRM fail to take into account the full credit profile of the borrower; including monthly residual income, credit usage, payment shock and post-closing reserves. The proposed rules will with certainty do more harm than good by excluding responsible creditworthy borrowers from becoming homeowners. Particularly moderate income families, minorities and first-time homebuyers will be discriminated against due to the 20% down payment and overly restrictive debt-to-income ratio requirements. Even for individuals with a strong commitment to save ($500 a month), it would take a family living in Oakland, California (median household income in Alameda County is $68,258) over 12 years to accumulate the required 20% or $73,600 down payment (median sale price of a home in Alameda County is $368,000). After the family has saved for the down payment, they are unable to qualify for financing due to the stringent debt-to-income ratio requirements of 28/36. Based on the same median income and median sale price with 20% down, a mortgage payment of $1,625 (30 year term and 5.25% interest rate) and $465 a month for property taxes and insurance, the monthly housing ratio would be 37%. Assuming the family also has a car payment of $300 a month, the debt ratio would be 42%. It does not matter that the borrower has been on his job for 10 years, has excellent credit, additional post-closing reserves, good monthly residual income and minimal payment shock, they would not be eligible for a Qualified Residential Mortgage. I support careful reconsideration of QRM as currently defined to include lower down payment and higher debt-to-income ratio loans. In addition to the delay or inability of realizing the dream of homeownership for millions, current homeowners are shut out of the ability to refinance their existing home due to the equity requirements for refinances. These homeowners would not be able to take advantage of lower rates or refinancing out of a loan with "risky features" because they do not have a minimum of 25% equity in their homes. The consequence is a considerable slow down of a fragile housing recovery at best. Homes values are still declining and the proposed rules will have a significant negative impact on the U.S. economy.

Nathalie Lemaire
Parkside Lending