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Secretary
United States Department of Treasury
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Mr. John E. Bowman
Acting Director
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

Honorable Shaun S. L. Donovan
Secretary
United States Department of
Housing & Urban Development
451 7th Street, SW
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Honorable Mary L. Schapiro
Chairman
Securities and Exchange
Commission
100 F Street, NE
Washington, DC 20549

Honorable Ben S. Bernanke
Chairman
Board of Governors of
The Federal Reserve System
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Mr. John G. Walsh
Acting Comptroller
Office of the Comptroller
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Mr. Edward J. DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street, NW
Washington, DC 20552

Ladies and Gentlemen:

As a seasoned mortgage lending professional, I would like to submit for consideration the following comments and observations regarding the currently proposed Qualified Residential Mortgage (QRM) definitions as they pertain to the Risk Retention requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

I do strongly support the intention of Risk Retention and the QRM exemption mentioned above. Risk Retention was intended to encourage sound underwriting and documentation practices and QRM was intended to establish an exemption from Risk Retention for well underwritten and documented, sound and sustainable mortgage loans.

That being said, the proposed rule implementing these provisions, in my opinion, goes well beyond what Congress originally intended and would drastically limit affordable mortgage financing options for many credit worthy moderate income families, first time homebuyers and minorities. In addition, this would place additional stress on an already fragile housing market possibly leading to an extended economic downturn in not only our National economy but in the global economy as well.

Please consider the following:

- The proposed regulation will hurt consumers by limiting access to credit for well qualified borrowers. Many high quality loans made today would not meet proposed QRM requirements. In fact, the net effect is that QRM further restricts an already limited lending environment.
    - Even though 2009 was a year of extremely conservative underwriting standards, only 30 percent of the loans purchased by Fannie Mae and Freddie Mac would meet these requirements.
    - The proposed down payment, loan-to-value (LTV) and debt-to-income (DTI) requirements are unnecessary. The inclusion of these requirements carries the risk of excluding far too many credit worthy borrowers from the most affordable home loans. According to research complied and distributed by the Mortgage Bankers Association of America, in many communities it could take the average family up to 18 years to save the necessary 20% down payment. Even if we reduce the down payment to 10%, it would still take half that time. Minorities and first time homebuyers would fare even worse as many of these families typically have much less in terms of savings.
    - Borrowers with little or no equity would find their refinancing options limited at QRMs proposed 75 percent LTV requirement.
    - Due to the rigid DTI requirements, those who currently devote a higher portion of their monthly on rent would not qualify for QRM mortgage loans even if they have demonstrated the ability to effectively manage their finances at this level. This could effectively disturb the balance between rental and ownership housing in many markets.

- By imposing rigid down payment, LTV and DTI requirements on private lenders, the government will effectively become the de facto risk manager for these private lenders at the very time that the Administration preaches less government involvement and more responsibility for managing risk by the private sector.

- The QRM provisions in Dodd-Frank and the Qualified Mortgage (QM) proposed under Dodd-Frank's separate ability to repay provisions share the same purpose of ensuring well underwritten and documented mortgage loans are made to credit worthy individuals and families. These two provisions should be aligned so that they can work hand in hand.

- This rule, as proposed, will make it even harder to attract private investment capital into the mortgage market. The residential mortgage market today functions only due to a great deal of government support. This position is neither sustainable nor desirable from a long term prospective. With Fannie Mae, Freddie Mac and Ginnie Mae securitizing and government agencies (FHA, VA and USDA) insuring the vast majority of the mortgage loans made in America today, private investment capital either remains largely on the sidelines or is deployed elsewhere. If this rule is usbank

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finalized as proposed, it is highly likely that the government's role in housing would remain unchanged or even increase at a time when the future of the government's role in housing is very much under debate.

Regardless of the deadline set by Dodd-Frank, it is important that this rule not be rushed. Due to the exemption from Risk Retention and QRM afforded to loans sold to Fannie Mae and Freddie Mac while they operate under conservatorship, it is unlikely that the rules as proposed would have a significant near-term impact on housing and our capital markets. The provisions of this rule however, do create significant long-term challenges to the return of private investment capital to the housing market and will make it even more difficult for the Federal government to play a reduced role in the market as currently desired by the Administration and by Congress.

Respectfully Submitted,

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