NATIONAL COMMUNITY REINVESTMENT COALITION

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October 29, 2013

Docket ID OCC-2013-0010
Legislative and Regulatory Activities Division,
Office of the Comptroller of the Currency
Suite 3E-218, Mail Stop 9W-11
400 7th Street, SW
Washington, DC 20219

Docket No. R-1411
Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20^{th} Street and Constitution Avenue, NW
Washington, DC 20551

RIN 3064-AD74
Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Company
550 17^{th} Street, NW
Washington, DC 20429

File Number s7-14-11
Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RIN 2590-AA43
Alfred M. Pollard, General Counsel
Federal Housing Finance Agency
Constitution Center, (OGC) Eighth Floor
400 7^{th} Street, SW
Washington, DC 20024

RIN 2501-AD53
Department of Housing and Urban Development
Regulations Division, Office of the General Counsel
Room 10276
451 7^{th} Street, SW
Washington, DC 20410-0500

RE: Proposed Credit Risk Retention and QRM Rule

Dear Regulators,

The National Community Reinvestment Coalition has dedicated itself to the mission of building and protecting wealth in America's underserved communities for more than 20 years. For many families, a home is the single most important financial asset that they will ever own. Consequently, questions of who can afford to buy a home and whether homeownership continues to remain affordable are core to NCRC's mission. With these issues in mind, the proposed credit risk retention and qualified residential mortgage definition rule is of critical importance to NCRC and our more than 600 member organizations.

At the outset, we would like to applaud the OCC, HUD, FDIC, FHFA, SEC, and the Federal Reserve for seriously considering the comments and feedback provided by both consumer groups and industry in response to the earlier proposal. Your decision to issue a new proposed credit risk retention and QRM rule represents recognition of the importance of this issue and the need to get it right.

By synchronizing the definitions of QRM and QM, the first scenario in the new proposal embraces a common sense notion that should undergird this nation's housing policy: *what is safe enough for consumers should be safe enough for investors*. The decision to align QM with QRM will ensure that the secondary mortgage market continues to be a reliable source of liquidity that fuels access to mortgage credit for a broad spectrum of creditworthy borrowers. In particular, an alignment of the definitions should maximize access for borrowers, streamline compliance burdens for lenders, and reduce uncertainty for investors. It should also minimize potential conflicts between the two rules in the future.

Having said that, NCRC and our coalition of member organizations are troubled by the decision to include the QRM Plus proposal as a plausible alternative to the QM equals QRM approach. The proposed alternative QRM Plus definition includes a steep loan-to-value ratio of 30 percent and credit criteria that would, in all likelihood, make mortgage credit too expensive and unattainable for an important swath of potential borrowers. In addition, the proposal raises serious concerns by furthering entrenching a bifurcated mortgage system that sends racial and ethnic minorities, millenials, and working-class people to the government for mortgage credit, while allowing wealthier whites access to the conventional market, which is often less expensive.

In the alternative QRM Plus definition, a qualified residential mortgage is defined as a loan that:

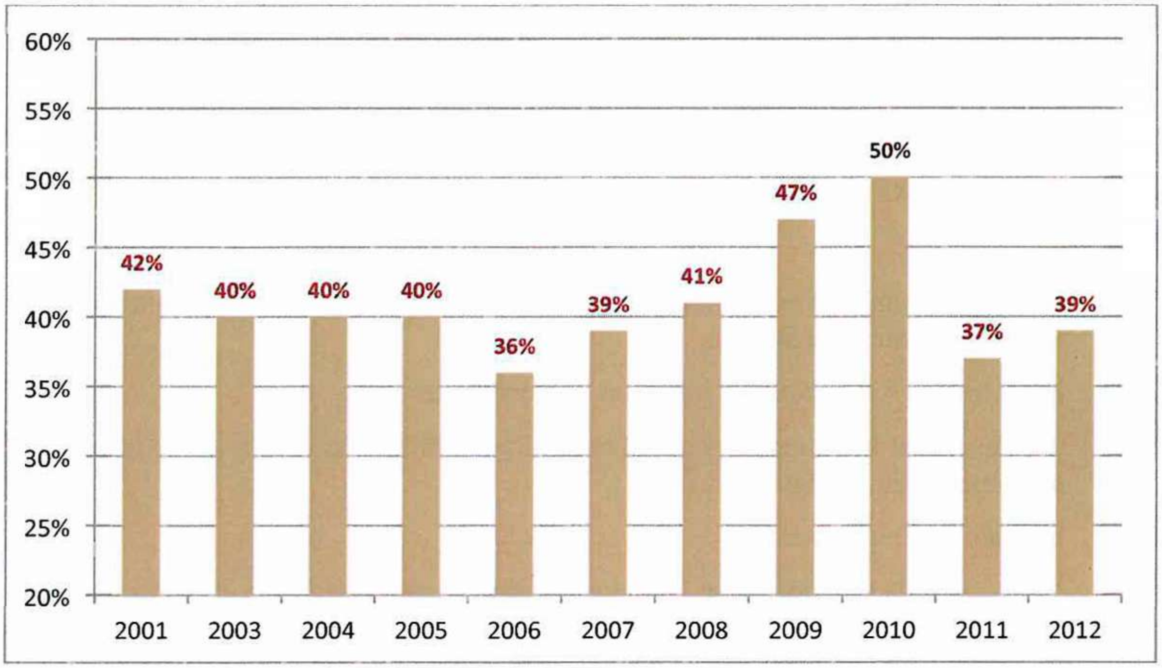
1) meets the definition of a qualified mortgage as established by the Consumer Financial Protection Bureau;
2) has a loan-to-value ratio of less than 70 percent; and that
3) secures a first lien mortgage on a 1-4 family dwelling that serves as the primary residence of the borrower.
4) Is made to a borrower
    a. who is not more than 30 days past due on any obligation at the time of the cut-off date;
    b. has not been more than 60 days past due on any obligation at the time of a cut-off date; and
    c. has not been a debtor in a bankruptcy proceeding, had suffered a judgment to collect a debt, had personal property repossessed, had a one-to-four family property foreclosed upon or engaged in a short sale or deed in lieu of foreclosure during the 36 month period prior to a cut-off date.

NCRC strongly opposes this alternative approach. Hard coding a 70 percent loan-to-value ratio and stringent credit history requirements into the rule will severely restrict access to the mortgage credit for everyone but the most pristine, wealthy borrowers and, moreover, is unnecessary to achieve a safe and sound mortgage investment market. It will also severely impede the healthy functioning of the mortgage market by drastically decreasing the availability of mortgage credit for a critically important market segment: first-time buyers.

The proof is in the numbers. In a healthy market, first-time buyers account for roughly 40 percent of the mortgage market.

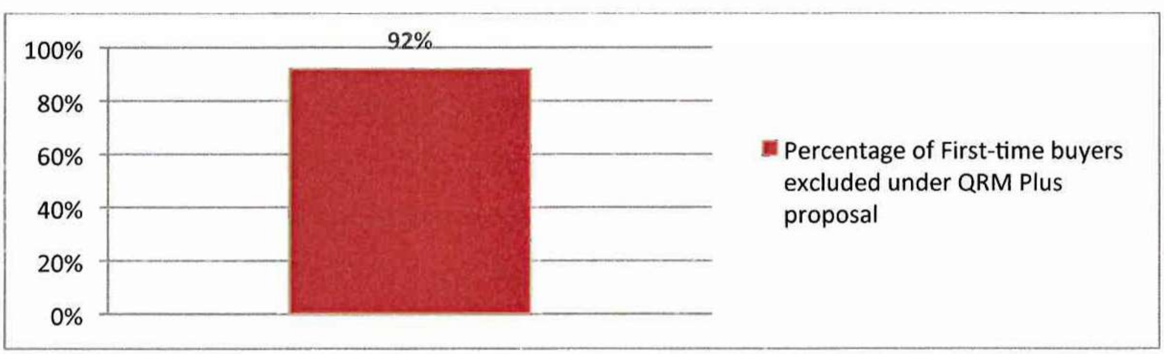
First-time Home Buyers

(As a Percentage of the Entire Home Buyer Market)



Source: This table was reproduced from the NAR's Profile of Home Buyers and Sellers 2012, Exhibit 1-9

Applying the QRM plus loan-to-value requirement to first-time buyer loans between 2006 and 2012 results in 92 percent of these borrowers falling outside the QRM definition:

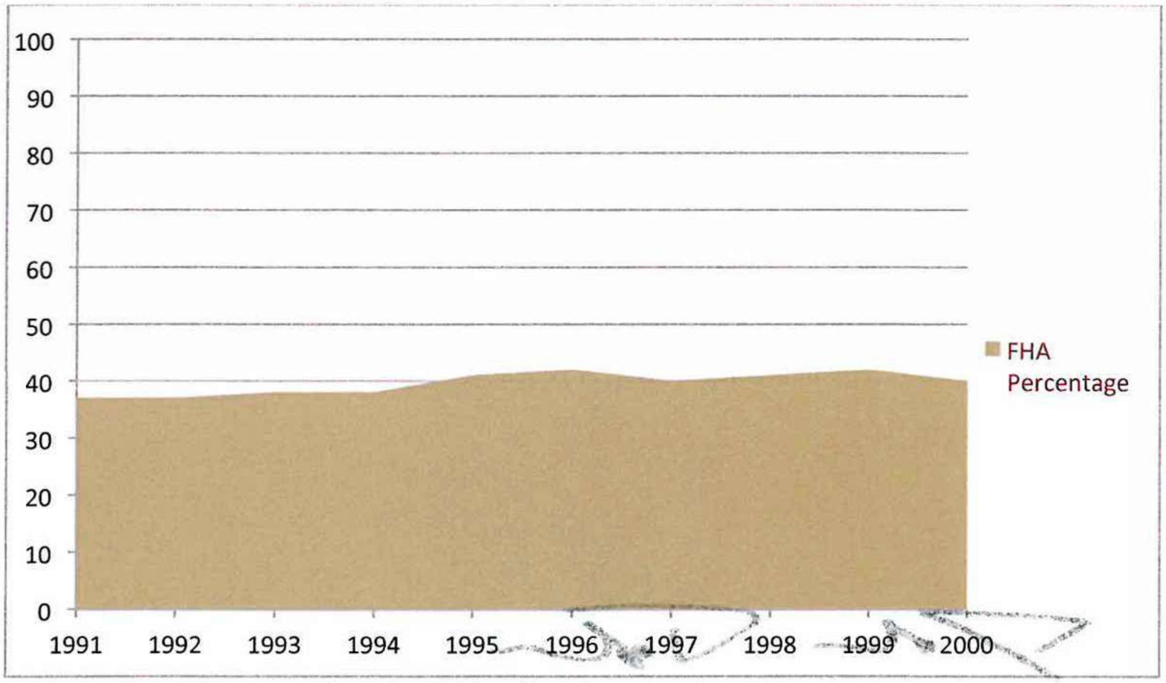


Source: NAR Home Buyer and Seller Survey (2006 – 2012 loan-to-value average of first-time buyers)

Consequently, first-time buyers would automatically be relegated to pay, as the proposed rule acknowledges, **at least 30 basis points more** for access to mortgage credit from the conventional mortgage market.

To the extent that one might reason that these consumers could avoid that additional expense by purchasing a home using a FHA loan, that assumption would ignore a critical point. Historically, and well before the credit boom and bust of the 2000s, the majority of first-time buyers received mortgage capital through conventional lending.

FHA Share of First-Time Buyer Market in the Decade Preceding the Housing Boom and Bust



Source: U.S. Department of Housing and Urban Development, U.S. Housing Market Conditions, Third Quarter 2001

Even now in its expanded role in the aftermath of the housing crisis, FHA simply does not have the scale needed to meet all first-time buyer demand in the mortgage market. Consequently, it is imperative that we preserve affordable mortgage access from the conventional market for first-time buyers—a disproportionate number of whom are minorities or low- and moderate-income individuals.

The QRM-Plus proposal fails to accomplish that objective. Analysis conducted by the Coalition for Sensible Housing Policy demonstrates that the QRM-Plus proposal would require working-class people, such as firefighters, teachers, and registered nurses, to save for a period ranging from 32 to 46 years just to have enough down-payment and closing-cost funds to qualify for a median-cost home in the U.S. today.[1] For Latinos and African-Americans, the time frame jumps to 55 and 66 years, respectively. Thus, it is clear that any willingness to embrace the QRM Plus proposal demonstrates a willingness to close the window of opportunity for homeownership for these segments of American society. That result should be unacceptable for any regulator concerned with this nation's economic stability and the long-term wealth prospects for America's residents and communities. NCRC urges OCC, HUD, FDIC, FHFA, SEC, and the Federal Reserve to do the right thing for investors and consumers by embracing the QM equals QRM framework outlined in the proposed rule.

Thank you for your consideration of NCRC's comments on this important issue. Should you have any questions about our concerns, please feel free to contact Mitria Wilson, NCRC's Director of Legislative and Policy Advocacy, at (202) 464-2722 or mwilson@ncrc.org.

Sincerely,

John Taylor,
President and CEO
National Community Reinvestment Coalition

[1] Coalition for Sensible Housing Policy, Updated QRM Proposal Strikes a Balance: Preserves Access while Safeguarding Consumers and the Market at 11 (NCRC is a member of the Coalition for Sensible Housing Policy).