

NEIGHBORHOOD HOUSING SERVICES OF CHICAGO, INC.

Rebuilding Chicago's Neighborhoods

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October 30, 2013

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

Elizabeth M. Murphy
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
File Number S7-14-11

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

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA43
Federal Housing Finance Agency
Constitution Center (OGC) 8th Floor
400 7th Street, SW
Washington, DC 20024

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

Regulations Division
Office of General Counsel
Department of Housing and Urban
Development
451 7th Street, SW, Room 10276
Washington, DC 20410 -0500

Re: Credit risk retention

Thank you for the opportunity to comment on the proposed revised rule issued by six federal regulators, specifically regarding implementation of credit risk retention and the definition of the Qualified Residential Mortgage (QRM) under Dodd Frank.

Neighborhood Housing Services of Chicago, Inc. (NHS) is a nonprofit housing and community development organization with a mission to create opportunities for individuals to live in affordable homes, improve their lives, and strengthen their neighborhoods. We do this by educating and preparing new homeowners for success; lending to help people buy, fix and keep their homes; sustaining homeownership through foreclosure prevention services; preserving, rehabbing and investing in housing; and building powerful and enduring community partnerships.



Each year, NHS serves over 7,000 families in the Chicago region through its programs and services. Last year, NHS's nonprofit lending affiliate Neighborhood Lending Services (NLS), provided over \$19 million in mortgage financing to low- and moderate-income borrowers through purchase, home improvement and refinance loans. The definition of QRM is extremely important to NHS and NLS, as we have been working for over 35 years to ensure that all families have access to affordable credit.

NHS supports the re-proposed rule's primary recommendation to incorporate the Qualified Mortgage (QM) standard to define the QRM.

This approach protects the marketplace while ensuring borrowers have access to sustainable mortgages. Investors can remain confident that they can rely on the quality of the mortgages underlying securitizations, and creditworthy borrowers will be able to obtain access to conventional financing for safe, sustainable mortgages.

At the same time, the rule ensures that loans with the highest risk – those with the product features explicitly excluded by QM – will be subject to the risk retention rules for asset backed securities. NHS knows all too well the devastating effects that the housing crisis had on the neighborhoods we serve, and protections are necessary to prevent any future severe housing downturns. In releasing the re-proposed rule, regulators expressed valid concerns that establishing diverse standards for QM and QRM loans could result in an increase in complexity, regulatory burden and compliance costs that will be passed on to borrowers in the form of higher interest rates and restrictive credit standards. For that reason, NHS supports streamlining the QRM definition to align with QM.

NHS strongly opposes the alternative "QM-Plus" approach in the proposed rule, which would require borrowers to make a 30 percent down payment to obtain a QRM loan. Such a restriction along with unduly difficult credit standards will restrict access to mortgage credit for far too many creditworthy borrowers. Lack of access to conventional credit would surely have a negative impact in NHS' target neighborhoods and across the region, further stalling, or possibly reversing, neighborhood recovery in these challenged areas.

NHS does believe in the importance of a borrower's financial equity in the home. Although we consider a 30%, 10% or even 5% down payment requirement to be too high, our on the ground experience as a lender to low- and moderate-income families has demonstrated the importance of homeowners making financial commitments during the purchase. Therefore, we recommend that the QRM definition include a down payment requirement of a 3% cash contribution from the homebuyer. Although it is a small percentage, the cash contribution is material and demonstrates homebuyer commitment to the transaction.

Lastly, NHS believes that homeownership education and counseling is an equally important factor in the underwriting process, and recommends that these services are incorporated into the final rule. Pre-purchase education and counseling has been proven to help reduce mortgage delinquencies among homebuyers.

One study of Freddie Mac's affordable lending program provides direct empirical evidence of counseling's value, concluding that certain types of pre-purchase education and counseling have a significant impact on mortgage delinquency rates. Based on a group of 34,000 loans

from Freddie Mac's portfolio that received this service, 90-day delinquency rates were lowered by 19% for educated borrowers overall. We encourage you to consider incorporating homebuyer education and counseling into the final rule, where applicable.

Thank you again for the opportunity to share our insights into the proposed rule. Please feel free to contact me should you require any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed Jacob". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Ed Jacob
Executive Director
Neighborhood Housing Services of Chicago, Inc.