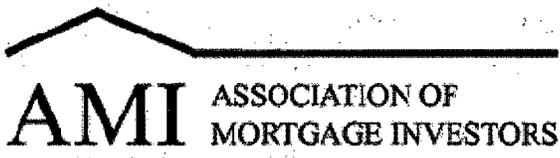


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January 14, 2011

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Acting Director
Office of Thrift Supervision
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Re: Implementation of Section 941 (regulation of Credit Risk Retention) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 for RMBS

Dear Ladies and Gentlemen:

The Association of Mortgage Investors ("AMI") appreciates the opportunity to comment upon the proposed definition of a Qualified Residential Mortgage (QRM) pursuant to section 941

of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2011 (“Dodd-Frank” or “the Act”) for residential-mortgage backed securities (RMBS). The Association of Mortgage Investors (AMI) seeks meaningful public policy development in an effort to restore the securitization industry and have a well-balanced housing finance system. Accordingly we fully support the inclusion of national servicing standards in the Advanced Notice of Preliminary Rulemaking (ANPR). This follows the call by a number of leading academic scholars and more than 12,000 consumers who have weighed in on this critical issue.

The AMI was organized as the primary trade association representing investors in mortgage-backed securities, including university endowments and pension funds. The AMI was founded to play a primary role in the analysis, development, and implementation of mortgage and housing policy to help keep homeowners in their homes and provide a sound framework that promotes continued home purchasing. Since its formation, the AMI has been developing a set of policy priorities that we believe can contribute to achieving this goal. We are an investor-only group comprised of a significant number of substantial institutional investors in commercial and residential mortgage-backed and other asset-backed securities. Hence we are the only investor-only trade securitization and are unconflicted by other industry segments. As of June 30, 2010, our members managed a collective investment in ABS in excess of \$300 billion.

I. Congress Sought to Establish a “Gold Standard Mortgage”

The members of AMI believe that much of the dysfunction in the U.S housing finance system can be eliminated by the adoption of a well-balanced QRM definition in line with the intent and letter of Congressional proponents. During consideration of the Dodd-Frank Act,

members of Congress sought the creation of a “gold standard” for securitization that encourages responsible liquidity for loans with underwriting standards and product features that provide consumers with stable, affordable home mortgage financing and produce lower defaults and foreclosures.”

Congress’ objectives behind the enactment of § 941 were to establish a “gold standard” for mortgages and to reduce the risk of borrower default. The forthcoming rulemaking is intended to propose policies toward this goal “in a manner consistent with the language and purpose of that section [941].” Servicing standards are inherent and indivisible in the mortgage and housing finance regime. Thus servicing standards are a necessary aspect of the enhanced formulation of any risk retention standard for the housing industry.

It would be an absurd statutory construction to read the text of § 941 regarding “borrowers”, “mortgages”, and “higher risk of borrower default” without addressing the underlying mechanism that makes such mortgage products and lending products feasible, namely servicing. Accordingly we are confident that Congress’ intent in enacting this historic legislation; namely it was to ensure that Americans have access to a new “gold standard” mortgage while minimizing the risk to our financial system. This includes your ability to address national minimum servicing practices and best practices.

II. Recommendations to Restore and Stabilize Housing Finance and PLS

Today’s housing finance and mortgage system is still highly fragile, years after the financial crisis. One merely needs to examine the reality that new RMBS securitizations have all but disappeared over the past three years. Accordingly the Private Label Securitization (“PLS”) market is no longer available to bring private capital to the market. In a narrowly-tailored effort to restore vitality to the securitization

market, we recommend the following requirements be adopted as part of your forthcoming risk retention requirements for all mortgages sold to investors as part of a security:

- A disclosure of the conflict of interest in the event that a servicer owns a second lien or unsecured consumer debt;
- The servicing industry must become more transparent, *vis-à-vis*, the servicers publicly disclose macro data pertaining their ownership interests (or those of any affiliate) in any other loans secured by the property that secures any loan in the pool (while balancing individual borrower's legitimate privacy concerns);
- Servicers must act so as to pursue loss mitigation rather than foreclosure where doing so yields a net present value that is equal or greater than the net present value that would be realized through a foreclosure and liquidation of the collateral;
- The structure of servicer compensation schemes must not operate to encourage foreclosure over loss mitigation;
- The legal priority of liens must be respected. Accordingly the priority of the first lien-holder over ~~the second and other subordinate lien holders must be respected in the course of the resolution~~ over a distressed loan; and,
- The PSA agreements must require the servicers to assume an absolute fiduciary responsibility to act in the best interests of the lien holders, regardless of a servicer's other interests in the trust.

We believe that these recommendations comport with the statutory text and intent of Congress in enacting § 941 of the Dodd-Frank Act. The dysfunction and fragility of today's housing finance and mortgage issues can be traced to poor underwriting standards, inadequate serving standards, and significant holistic

consumer debt. We believe that the development of a proper QRM standard can advance the Congress' goals of increasing the availability of stable, affordable home loans, decreasing the loan costs to consumers, while minimizing the risk of re-default and foreclosures.

AMI is comprised of large fixed income institutional investors who support the reemergence of a healthy and balanced ABS market. We are very keenly aware through our ~~ABS' investment performance of the past two years of the excesses and oversights~~ embedded in the current market. We believe that our comments, if properly implemented, will expedite the return of these critical markets through additional disclosure, the reliability of such information with consequences for responsible parties and a general alignment of interests among sponsors, originators and the investment community.

On behalf of our membership, again permit me to express our sincere gratitude for having this opportunity to comment on the development of a QRM safe harbor. Should you or any member of your staffs have any questions with regard to our views, please contact me at 202-327-8100 or katopis@the-ami.org. Thank you.

Very truly yours,



Chris J. Katopis
Executive Director