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Honorable Timothy F. Geithner
Secretary
United States Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220

Mr. John E. Bowman
Acting Director
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

Honorable Shaun L. S. Donovan
Secretary
United States Department of
Housing & Urban Development
451 7th Street, SW
Washington, DC 20410

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
20th & Constitution Ave., NW
Washington, DC 20551

Mr. John G. Walsh
Acting Comptroller
Office of the Comptroller
of the Currency
250 E Street, SW
Washington, DC 20219

Honorable Sheila C. Bair
Chairman
Federal Deposit Insurance Corp.
550 17th Street, NW
Washington, DC 20429

Mr. Edward J. DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street, NW
Washington, DC 20552

Ladies and Gentlemen:

We represent a diverse group of national civil rights, labor and consumer organizations, and we write to share our views with respect to the regulation of securitizers of residential mortgage loans. We address specifically the credit risk retention and "Qualified Residential Mortgage" ("QRM") rules the agencies are developing pursuant to section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. We raise two issues of significant concern to our constituents.

1. Securitized loans should meet basic servicing standards to prevent unnecessary foreclosures.

Families across the country are losing their homes unnecessarily due to foreclosures that could have been avoided but for the loan servicer's inability or unwillingness to properly service the mortgage. In some cases servicers are foreclosing on borrowers who are being considered for a loan modification—and in some cases, foreclosures are proceeding against borrowers who have received a modification with which they are complying. Addressing these servicing problems is particularly problematic for mortgages that have been securitized due to the obstacles created by the terms of the securitization agreement, the existence of additional lienholders, and misalignment of incentives among the servicers, investors, and homeowners.

For this reason, the risk retention rules should include standards that (1) ensure that servicers modify loans when a modification would yield a greater value to investors than a foreclosure; and (2) remove any obstacles that prevent servicers from doing so. These standards should apply to all securitizations.

2. The QRM safe harbor should track the "Qualified Mortgage" rebuttable presumption in Title XIV. They should not include down payment requirements that penalize responsible, creditworthy borrowers simply because they lack the wealth necessary for a large down payment.

We suggest that the Qualified Residential Mortgage safe harbor closely track the rebuttable presumption laid out in Sec. 1412 of Title XIV to the Dodd-Frank Act. These sensible standards, coupled with the servicing standards discussed above, will ensure that the QRM definition captures only responsible, well-underwritten loans. We believe that additional requirements mandating specific loan-to-value ratios will do more harm than good by unduly disadvantaging well-qualified borrowers who lack the wealth necessary for a large down payment.

This is a particular concern for communities of color, low- and moderate-income families, and others traditionally underserved by mainstream lenders. Barring these families from access to responsible loans would reinforce an unfair, separate and unequal housing finance system that relegates underserved families to higher cost, less desirable lending channels or excludes them from homeownership they could otherwise sustain. Creditworthy borrowers should not be limited to FHA or to loans that do not meet QRM standards simply because they cannot make a large down payment. That is not good for homeowners or for the health of the overall market.

Moreover, disruptions in the housing market have stripped equity from homeowners everywhere, and home values have yet to stabilize. In this environment, mandating loan-to-

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value ratio requirements would impose unnecessary barriers to homeownership for all borrowers, including those traditionally well-served by the housing finance system.

We appreciate the agencies' work on this, and would be happy to provide any further information that might be helpful.

Sincerely,

AFL-CIO

Americans for Financial Reform

Leadership Conference on Civil Rights

NAACP

National Association of Neighborhoods

National Council of La Raza

National Fair Housing Alliance

National People's Action

Service Employees International Union

Center for Responsible Lending

Consumer Action

National Association of Consumer Advocates

National Consumer Law Center (on behalf of its low income clients)