OPPORTUNITY FINANCE NETWORK™

October 30, 2013

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

Office of the Comptroller of the Currency
400 7th St. SW, Suite 3E-218
Washington, DC 20219
Docket No. OCC-2013-0010

Federal Deposit Insurance Corporation
550 17th St. NW
Washington, DC 20429
Attn: Robert E. Feldman, Exec. Secretary
RIN 3064-AD74

Federal Housing Finance Agency
400 7th St. SW
Washington, DC 20024
Attn: Alfred M. Pollard, General Counsel
RIN 2590-AA43

Securities and Exchange Commission
100 F St. NE
Washington, DC 20549-1090
Attn: Elizabeth Murphy, Secretary
File Number S7-14-11

Department of Housing and Urban Development
451 7th St. SW, Room 10276
Washington, DC 20410

Dear Sir or Madam:

The Opportunity Finance Network (OFN) appreciates the opportunity to comment on the credit risk retention proposed rule published in the Federal Register on August 28, 2013.

About OFN and CDFIs

Opportunity Finance Network (OFN) is a national network of community development financial institutions (CDFIs) investing in opportunities that benefit low-income, low-wealth, and other disadvantaged communities across America. OFN Members are performance-oriented, responsible investors that finance community businesses, sparking job growth in the areas that need it most, and delivering both sound financial returns and real changes for people and communities. CDFIs including those in OFN's network extend credit as a primary tool of a community development mission.

Our Network has originated more than $33 billion in financing in urban, rural, and Native communities through 2012. With cumulative net charge-off rates of less than 1.7%, we have demonstrated our ability to lend prudently and productively in unconventional markets often overlooked by conventional financial institutions. CDFIs are profitable but not profit maximizing. They put community first, not the shareholder. For more than 30 years, they have had a proven track record of making an impact in those areas of America that need it most. In FY2012, OFN's customers were 74% low-income, 61% minority, and 48% female.

The QRM Rule

OFN applauds the revisions to the proposed risk retention and qualified residential mortgage (QRM) rule. In aligning the QRM definition to the Consumer Financial Protection Bureau's (CFPB)

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qualified mortgage (QM) definition, regulators have responded the need to balance responsible lending with preserving access to credit for creditworthy borrowers, including LMI and minority borrowers.

The CFPB took an additional step in ensuring access to credit for this part of the market by providing an exemption from the QM ability-to-repay rule for CDFIs and other mission-focused lenders. This exemption rightly recognized CDFIs' unique role in the financial system as prudent providers of responsible credit to borrowers that might not fit conventional lenders' definitions of creditworthiness. The Agencies should extend the alignment of the two definitions and consider a similar exemption to the QRM definition for CDFIs.

CDFIs often make loans considered "risky" by mainstream financial institutions (and their regulators). CDFIs manage this risk with a number of tools: appropriate loan loss reserves, capital reserves much higher than those of regulated financial institutions, and support for borrowers both before and after the loan. Provision of "development services" that support borrowers and potential borrowers is in fact a requirement for certification of CDFIs.

With these safeguards of community development mission and appropriate development services, CDFIs employ flexibility in their underwriting standards. They might feasibly and prudently make loans that do not meet the strict definitions of the QRM rule, but that the CDFI has responsibly determined do not compromise a borrower's ability to build housing assets.

CDFIs are small in scale and lack the compliance capacity of larger, mainstream financial institutions. In addition, because of their markets a larger portion of their lending is likely to fall outside, or nearly outside, the Qualified Mortgage; the compliance burden on CDFIs would be proportionally higher.

The exemption would also ensure that the ability-to-repay and credit risk retention rules do not contradict each other in practice for affordable lenders; under the current proposed rule, these lenders would be bound by QM standards for loans intended for sale or securitization, but would be exempt from QM standards for loans held in portfolio.

Conclusion

CDFIs work at the crossroads of the financial services industry, lending with a mission focus in the markets about which the CFPB is most concerned. Since CDFIs by nature of this mission lend responsibly, it is appropriate for the Agencies to consider their unique role in the financial services industry and to include them in this narrow exemption to the QRM.

We thank you for your consideration of our comments. Please contact Cheryl Neas, Senior Vice President, Policy Development at cneas@opportunityfinance.net or 215-320-4309 for more information or to discuss the contents of this letter.

Sincerely,

Mark Pinsky
President & CEO