MBAG
MORTGAGE BANKERS ASSOCIATION OF GEORGIA

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VIA POSTING TO http://www.regulations.gov

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Legislative and Regulatory Activities Division
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Washington, DC 20219

Board of Governors of the Federal Reserve System
Robert deV. Frierson, Secretary
20th Street and Constitution Avenue, NW
Washington, DC 20551

Federal Deposit Insurance Corporation
Robert E. Feldman, Executive Secretary, Attention: Comments
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Washington, DC 20429

Securities and Exchange Commission
Elizabeth M. Murphy, Secretary
100 F Street, NE
Washington, DC 20549

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

RE: Credit Risk Retention, OCC Docket ID OCC-2013-0010; FRB Docket No. R-

1411; FDIC RIN 3064-AD74; SEC File Number S7-14-11; FHFA RIN 2590-AA43; HUD RIN 2501-AD53

Ladies and Gentlemen:

Thank you for the opportunity to respond to the proposed rule referenced above. I am submitting this letter in my capacity as President of and on behalf of the Mortgage Bankers Association of Georgia ("MBAG"). We appreciate the Agencies' careful consideration of the impact of the Risk Retention Rule and the definition of "qualified residential mortgage" ("QRM") on MBAG's members and the consumers they serve.

<u>Revised QRM Definition – Response to Request for Comment No. 89</u>

MBAG applauds the Agencies' decision to revise the QRM definition so as to substantially mirror the definition of "qualified mortgage" ("QM") promulgated by the Consumer Financial Protection Bureau under Section 129C of the Truth in Lending Act. As such, **we support the Agencies' proposed definition of QRM to mean "a qualified mortgage as defined in Section 129C of TILA."** The revised definition will simplify the mortgage industry's compliance obligations by providing them with consistent standards under the CFPB's "Ability to Repay" rule and the Agencies' Risk Retention Rule. Further, the revised QRM definition eliminates restrictive aspects of the initial proposed definition, most notably the loan-to-value requirements and borrower credit history restrictions, which would have limited access to mortgage loans for creditworthy borrowers.

<u>Proposed Alternative QM Plus Approach - Response to Request for Comment No. 98</u>

Also of special interest to MBAG is the Agencies' alternative QRM approach known as the "QM Plus." **MBAG is concerned that the additional factors incorporated into the QM Plus definition would unduly narrow the scope of loans that are exempt from the Risk Retention Rule, and thereby decrease access to mortgage credit.** The Agencies' proposed QM Plus approach would include the core criteria of QM loans, limit QRM treatment to loans secured only by one to four family properties that constitute the principal dwelling of the borrower, require that all QRMs be first lien mortgages, impose credit history restrictions, and impose a 30% loan-to-value requirement.

As noted by the Agencies in the proposed rule, the QM Plus approach would cover a significantly smaller portion of the mortgage market than the basic QM approach. Such a restrictive definition would be inconsistent with the Agencies' stated goal of preserving access to affordable credit, especially for lower income and other traditionally disadvantaged borrowers. The 30% down payment requirement and the credit history restrictions would preclude a large portion of these borrowers from qualifying for a QM Plus loan. MBAG notes that these two proposed requirements are similar to aspects of the initial QRM definition that received severe negative commentary.

MBAG is also concerned that a QM Plus approach could effectively push regular QM loans out of the market and become the primary mortgage product available which would negatively affect credit availability and price. Once the Ability to Repay Rule and the Risk Retention Rule become effective, mortgage originators will have an incentive to originate loans that are exempt from the two rules whenever possible. This will be the case especially if the risk retention requirements decrease the impetus to securitize loans that do not meet the QRM requirements. If the QM Plus approach were adopted, only QM Plus loans would achieve this goal. Therefore, lenders may be reluctant to offer mortgages to borrowers who do not meet the QM Plus criteria. As noted above, this would restrict access to credit for a substantial number of borrowers.

Thank you for your consideration and continued efforts to revitalize the mortgage market.

Respectfully submitted,

MORTGAGE BANKERS ASSOCIATION OF GEORGIA

By: Greg Shumate, President