National Foreclosure Prevention and Neighborhood Stabilization Task Force

July 27, 2011

Department of the Treasury
Office of the Comptroller of the Currency
250 E Street, SW., Mail Stop 2-3
Washington, DC 20219
Docket No. OCC-2011-0002, RIN 1557-AD40

Board of Governors of the Federal Reserve System 20th Street and Constitution Avenue, NW Washington, DC 20551 Attn: Jennifer J. Johnson, Secretary Docket No. 2011-1411, RIN 7100-AD-70

Federal Deposit Insurance Corporation 550 17th Street, NW Washington, DC 20429 Attn.: Comments, Robert E. Feldman, Executive Secretary RIN 3064-AD74 Securities and Exchange Commission 100 F Street, NE Washington, DC 20549-1090 Attn.: Elizabeth M. Murphy, Secretary RIN 3235-AK96 Release No. 34-64148; File No. S7-14-11

Federal Housing Finance Agency
Fourth Floor
1700 G Street, NW
Washington, DC 20552
Attn.: Alfred M. Pollard, General Counsel
RIN 2590-AA43

Department of Housing and Urban Development Regulations Division Office of General Counsel 451 7th Street, SW, Room 10276 Washington, DC 20410-0500 RIN 2501-AD53

To Whom It May Concern:

We, the members of the National Foreclosure Prevention and Neighborhood Stabilization Task Force, commend the Office of the Comptroller of the Currency (OCC), Federal Reserve System, Federal Deposit Insurance Corporation (FDIC), U.S. Securities and Exchange Commission, Federal Housing Finance Agency, and Department of Housing and Urban Development (HUD) for seeking input on how best to implement the credit risk retention requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Convened in November 2007, the National Foreclosure Prevention and Neighborhood Stabilization Task Force is a cross-industry group of local and national organizations working to address the impacts of the foreclosure crisis on communities. Our mission is to bring together advocates, practitioners, and other experts from across the country around foreclosure prevention and neighborhood stabilization efforts to exchange critical information and to help craft policy, legislative, and programmatic initiatives that primarily support low and moderate-income individuals and families.

As practioners and advocates focused on assisting neighborhoods and families devastated by the foreclosure crisis, we are concerned that the strict underwriting standards proposed for Qualified Residential Mortgages (QRMs) will deny millions of low- and moderate-income Americans the opportunity to purchase homes. Such an outcome would mean that millions of homes would continue to sit vacant and weigh down neighborhood property values. Currently, in our neighborhood stabilization work, we are seeing that willing buyers are having difficulty accessing

mortgage credit. The proposed QRM rule will only worsen this situation and further slow the process of clearing the large inventory of vacant and foreclosed properties that are decimating neighborhoods all over the country.

Therefore, we offer the following comments:

- Be cautious of unintended consequences that will harm struggling neighborhoods. As we seek to recover from this foreclosure crisis, it is critical that mortgage credit be available to qualified homebuyers of all income levels and in all neighborhoods via the same efficient channels available elsewhere. This is especially true for low- and moderate-income homebuyers and neighborhoods destabilized by large numbers of foreclosed and abandoned properties. A strict QRM rule that makes it very difficult or expensive for first-time and moderate-income homebuyers to purchase a home could wipe out whole strategies to revitalize neighborhoods and deny families the opportunity to become homeowners, particularly if it sets a precedent for other determinants of credit availability. Homeownership and "mom and pop" rentals must be viable exit strategies for properties in these neighborhoods so that they can once again become vibrant, healthy communities.
- Regulation of product types can screen out risky loans without harming low-wealth borrowers and struggling neighborhoods. We commend the regulators for generally prohibiting product features that add complexity and risk to mortgages, such as terms permitting negative amortization or payment shocks. Such risky loan features were one of the primary drivers of foreclosures across the income spectrum. Analysis of data released with the proposed risk retention rule shows that product type restrictions effectively screen out delinquent loans while excluding far fewer loans overall. ¹
- The 20% downpayment requirement and corresponding loan-to-value (LTV) restrictions would uniquely undermine neighborhood recovery. Meeting such high downpayment thresholds would require households to save for decades, choose higher-cost mortgage sources (FHA being the only viable option available now), or forego homeownership altogether. None of these options supports neighborhood revitalization. The final rule should not include a downpayment or LTV restriction.²

Thank you for the opportunity to provide comments on the proposed credit risk retention rule. We commend the regulatory agencies for their ongoing willingness to seek and respond to public input. Please contact Ethan Handelman at the National Housing Conference (ehandelman@nhc.org, 202-466-2121 ext. 238) with any questions or for further discussion.

Sincerely,

The undersigned organizations and localities of the National Foreclosure Prevention and Neighborhood Stabilization Task Force:

Atlanta Neighborhood Development Partnership, Inc Arizona Foreclosure Prevention Task Force Avesta Housing Center for NYC Neighborhoods Center for Responsible Lending

Mortgage Bankers Association, "Impact of Risk Retention Rules on the Mortgage Market: Presentation Materials" 2011, available at http://www.mbaa.org/files/Advocacy/2011/RiskRetentionPresentation.pdf
 The position paper of the Coalition for Sensible Housing Policy, "Proposed Qualified Residential Mortgage Definition Harms Creditworthy Borrowers While Frustrating Housing Recovery," 2011 makes this case in greater detail.

Council of State Community Development Agencies

Diamond State Community Land Trust

Enterprise Community Partners

Greater Rochester Housing Partnership

Habitat for Humanity International

Habitat for Humanity of the Chesapeake

Healthy Neighborhoods, Inc.

HousingWorks Rhode Island

Local Initiatives Support Corporation

Louisiana Housing Alliance

Mercy Housing

Na Hale O Maui Community Land Trust

National Community Land Trust Network

National Housing Conference

National Housing Institute

New York Housing Conference, Inc.

Rebuilding Together

St. Ambrose Housing Aid Center, Inc.

The Wisconsin Partnership for Housing Development, Inc.