From: Bethany Sanchez
To: regs.comments@occ.treas.gov; regs.comments@federalreserve.gov; Comments; rule-comments@sec.gov; RegComments@fhfa.gov
Subject: Credit Risk Retention, Docket Number OCC-2010-0002; Docket No. R-1411; RIN 3064-AD74; File Number S7-14-11; RIN 2590-AA43; Docket Number FR-5504-P-01
Date: Friday, July 29, 2011 2:48:28 PM

To whom it may concern:

I am writing on behalf of the Metropolitan Milwaukee Fair Housing Council to urge you to significantly alter your proposed Qualified Residential Mortgage (QRM) rule. As a 34 year old nonprofit that seeks to ensure equal housing opportunity for all sectors of the communities we serve across Wisconsin, a significant change in the QRM definition is necessary in order to preserve homeownership as a realistic option for moderate- and middle-income Americans who are creditworthy but lack savings for large down payments.

We are particularly concerned about the rigid down payment and debt-to-income thresholds for QRM loans. The currently proposed QRM poses the real danger of creating a separate, but unequal, lending market, a mortgage market in which the affluent receive the most affordable loans and those that cannot afford a 20% down payment have to pay higher costs than they may be able to afford.

It was the risky and abusive features of subprime, adjustable rate, and other nontraditional loans that drove the foreclosure crisis, not low down payments. Indeed, the Federal Housing Finance Administration concludes that prohibitions against product types such as loans that do not verify borrower income will have the largest impact of reducing delinquencies.

Most Americans without significant family wealth will have considerable difficulty coming up with 20 percent down payments even for homes that are modestly priced. For minorities and first time homebuyers of all races, the situation could be especially bleak. According to the Census Bureau, African-Americans had a median net worth of about $8,600 in the mid-2000s, which is clearly not enough to generate a 20 percent down payment on even a modestly priced home of $100,000. Moreover, according to Harvard University's calculations of the Federal Reserve's Survey of Consumer Finances, the median white renter had cash savings of about $1,000 and the median minority renter about one-quarter that amount in 2007.

An equaling troubling aspect of the QRM proposal is the ratios regarding housing payment-to-income (PTI) and debt-to-income (DTI). The agencies propose that loans would qualify for QRMs only if their PTI and DTI ratios are 28 and 36 percent, respectively. While high PTI and DIT ratios used prior to the foreclosure crisis were problematic, the proposal is an over-reaction to the foreclosure crisis. Loans backed by the Federal Housing Administration

(FHA) exhibit considerably lower default rates than subprime loans, and FHA loans have DTI ratio limits that can go up to 41 percent. The FHFA's data analysis shows that PTI and DTI limits would disqualify more loans from QRM status than even the low down payment requirement. In addition, the FHFA analysis shows that loosening the PTI and DTI requirement significantly increases loans that qualify as QRMs while not significantly increasing default rates of QRM loans.

Prime conventional lending has plummeted for all borrowers but particularly for minorities during the last several years. NCRC's analysis of Home Mortgage Disclosure Act (HMDA) data reveals a decline of 67 percent for whites, and 85 percent of African-Americans and Hispanics in prime conventional home purchase lending from 2005 to 2009. Restrictive QRM standards will unnecessarily reduce lending even further. The present QRM proposal will not only shut out large numbers of modest and middle-income families from homeownership but could also thwart the shaky economic recovery that is currently being held back by difficulties in the lending and real estate industries. Moreover, this potential damage could be the result of the proposed down payment requirement that was not even one of the explicit statutory factors listed by the Dodd-Frank Act for developing QRMs.

It is my understanding that your regulatory agencies assert that many mortgages will continue to be made that are not QRMs - that institutions will either hold these loans in portfolio or retain 5 percent of the risk when they sell the loans. However, QRMs could very well set the standard for the entire market meaning non-QRM loans will either not be available or will be much more costly. In real terms, this could mean significantly less credit or much more expensive credit for broad swaths of Americans. We therefore urge the agencies to allow down payments of as low as 3 to 5 percent and DTI ratios consistent with FHA guidelines to qualify as QRM.

Thank you for your consideration of our comments.

Bethany Sanchez
Metropolitan Milwaukee Fair Housing Council
600 E. Mason Street, #401
Milwaukee, WI 53202
414.278.1240, extension 22
www.fairhousingwisconsin.com