



August 1, 2011

**Comments of the National Lumber and Building Material Dealers Association
Regarding the Interagency Proposed Rule on Credit Risk Retention**

Submitted electronically to:

OCC: Docket No. OCC-2011-0002 regs.comments@occ.treas.gov

Federal Reserve: Docket No. R-1411 regs.comments@federalreserve.gov

FDIC: RIN 3064-AD74 comments@FDIC.gov

SEC: File Number S7-14-11 Rule-comments@sec.gov

FHFA: RIN 2590-AA43 RegComments@FHFA.gov

HUD: RIN 2501-AD53 via www.regulations.gov

Founded in 1917, the National Lumber and Building Material Dealers Association (NLBMDA) has over 6,000 members operating single or multiple lumber yards and component plants serving homebuilders, subcontractors, general contractors, and consumers in the new construction, repair and remodeling of residential and light commercial structures.

NLBMDA has a strong interest in a healthy and growing residential housing market, as a means for economic growth for our country, improvement and modernization of our nation's housing stock, and as a means of allowing Americans from all walks of life to own their own homes.¹

We respectfully urge the agencies to reconsider changes to the loan-to-value ratios for Qualified Residential Mortgages in light of the impact that they may on home purchases and renovations by consumers made ineligible to qualify for mortgages or refinancing but otherwise creditworthy and posing no risk of nonpayment or default. We are concerned that a rigid application of these ratios will not only limit the opportunities of homeowners and homebuyers, but will also threaten to slow the recovery of the fragile housing market.

¹ To learn more about the lumber and building materials sector and its role in our economy, see *Scope of the Lumber and Building Material Industry, Second Edition* (National Lumber and Building Material Dealers Association, 2011).

Section 941(b) of the Dodd-Frank Act created a framework for improving the quality of mortgage lending and restoring private capital to the housing market while carefully balancing the need to maintain homeownership opportunities for American families and doing no harm to the fragile residential housing market.

With the goal of discouraging excessive risk taking, Congress required those in the business of securitizing debt to retain 5 percent of the credit risk on loans packaged and sold as mortgage securities. However, because an “across-the-board” risk retention approach would impose significant costs on responsible, creditworthy borrowers, Congress made the deliberate policy decision to create an exemption for Qualified Residential Mortgages in order to prevent undue burdens on credit-worthy homebuyers.

As reiterated by the cosponsors of the statutory language of Section 941(b), “properly crafted regulations will provide safe, stable, affordable home loans for creditworthy borrowers while granting investors confidence that the mortgage assets backing the securities they purchase will meet or exceed their performance expectations.”²

NLBMDA believes that the proposed loan-to-value ratios for Qualified Residential Mortgages will upset the important balance contemplated by Congress and disqualify many creditworthy borrowers from affordable mortgage and refinancing products. We also believe that the proposed regulations are inconsistent with congressional intent. Congress considered and rejected establishing minimum down payments precisely because other loan-to-value loans have been shown to perform well when accompanied by strong underwriting and safe, stable product features.

The Dodd-Frank Act appropriately responded to the excesses of Wall Street while recognizing that well-underwritten, low-down payment home loans have been a significant and safe part of the mortgage finance system for decades. The proposed QRM exemption ignores this fact and imposes unnecessarily high down payment thresholds and equity requirements for refinancing. As a result, responsible consumers who maintain good credit and seek safe loan products could be forced into more expensive mortgages under the terms of the proposed rule simply because they do not have 10 or 20 percent in down payment or 25 or 30 percent in equity for refinancing.

As stated by the cosponsors of Section 941(b): “The 20 percent down payment requirement leaves millions of qualified potential homeowners with two grim alternatives: pay higher rates upfront for a mortgage that falls outside the regulators’

² See letter dated November 8, 2010 from Senators Mary Landrieu, Kay Hagan, and Johnny Isakson to the various regulators.

proposed QRM standard or delay homeownership or home improvement for a decade or more to save for a down payment unnecessary to achieve the goals of the Dodd-Frank Act.”

Respectfully submitted,

National Lumber and Building Material Dealers Association

A handwritten signature in black ink, appearing to read "Scott Lynch".

By Scott Lynch
As Executive Vice President