



## Housing Assistance Council

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Department of the Treasury  
250 E Street, SW., Mail Stop 2-3  
Washington, DC 20219  
[regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov)  
Docket No. OCC-2011-0002,  
RIN 1557-AD40

Alfred M. Pollard, General Counsel  
Attn.: Comments  
Federal Housing Finance Agency  
Fourth Floor  
1700 G Street, NW  
Washington, DC 20552  
[regcomments@fhfa.gov](mailto:regcomments@fhfa.gov)  
RIN 2590-AA43

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal  
Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551  
[regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)  
Docket No. R-1411, RIN 7100-AD-70

Elizabeth M. Murphy, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090  
[rule-comments@sec.gov](mailto:rule-comments@sec.gov)  
RIN 3235-AK96  
File No. S7-14-11

Robert E. Feldman, Executive Secretary  
Attn.: Comments  
Federal Deposit Insurance Corporation  
550 17th Street, NW  
Washington, DC 20429  
[comments@fdic.gov](mailto:comments@fdic.gov)  
RIN 3064-AD74

Regulations Division  
Office of General Counsel  
Department of Housing and Urban Development  
451 7th Street, SW, Room 10276  
Washington, DC 20410-0500  
<http://www.regulations.gov>  
Docket No. FR-5504-P-01  
RIN 2501-AD53

Re: Credit Risk Retention, Proposed Regulation

Ladies and Gentlemen:

The Housing Assistance Council (HAC) appreciates this opportunity to comment on your agencies' proposed regulation on Credit Risk Retention. HAC's comments focus on the definition of Qualified Residential Mortgage (QRM). HAC joins numerous other commenters in the belief that a 20 percent down payment requirement is unnecessary and inappropriate.

HAC is a Community Development Financial Institution (CDFI) and intermediary, established 40 years ago to provide financing, information, and technical services to nonprofit, for-profit, public, and other providers of rural housing. Created to meet the

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*Celebrating*  
**40** Years  
1971-2011

HAC is an equal opportunity lender.

housing needs of the poorest of the poor in the most rural places, HAC fulfills its mission by working in close partnership with local organizations in rural communities throughout the nation.

The reasons for the QRM exemption and definition are well understood, and HAC does not suggest that the rulemaking agencies should promote risky residential mortgages. Requiring a 20 percent down payment or an even higher proportion of equity for refinancing, however, would raise mortgage costs so high that very few moderate-income families – and even fewer low-income ones – would be able to purchase homes. Many will be driven out of the market at a time when the fragile national economy needs their participation. Minorities would be especially hard hit.

A household earning the median annual income, saving at the national savings rate of 5.2 percent and putting all its savings towards purchasing a median sales price home, would need 9.5 years to accumulate enough for a 10 percent down payment and closing costs, or 16 years for a 20 percent down payment and closing costs, the Center for Responsible Lending (CRL) has calculated.<sup>1</sup> Hispanics and African-Americans, who have lower average earnings and fewer assets than whites, would wait even longer.

High down payments are not essential to make safe loans. CRL reports that from 1990 to 2009, about 27 million mortgages were made with low down payments and did not carry the risky features found in subprime loans. In fact, CRL states, “research has shown that significant reductions in default rates are achieved by full underwriting documentation and reasonable debt-to-income ratios.”<sup>2</sup>

Accurate evaluations of borrower creditworthiness, rather than large down payments, should be used to determine what loans are risky. Strong documentation, income to support the monthly payment for the life of the loan, reasonable total debt servicing loads, protections from payment shock, and prohibitions on high-risk loan features like negative amortization and balloon payments are the core underwriting factors that will lower the risk of default.<sup>3</sup>

Thank you for this opportunity to comment. Please feel free to contact me for further information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Moises Loza', followed by a horizontal line.

Moises Loza  
Executive Director

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<sup>1</sup> “Don’t Mandate Large Down Payments on Home Loans,” <http://www.responsiblelending.org/mortgage-lending/policy-legislation/regulators/low-downpayment-factsheet-final.pdf>

<sup>2</sup> Ibid.

<sup>3</sup> Letter to regulators, March 16, 2011, <http://www.responsiblelending.org/mortgage-lending/policy-legislation/regulators/March-16-2011-letter-to-regulators-re-QRM-FINAL.pdf>