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MARYLAND ASSOCIATION OF REALTORS®

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OFFICE OF THE CHAIRMAN

July 29, 2011

Honorable Ben S. Bernanke
Chairman
Board of Governors of the
Federal Reserve System
Washington, DC 20551

Honorable Martin J. Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation
Washington, DC 20429

Mr. Edward J. DeMarco
Acting Director
Federal Housing Finance Agency
Washington, DC 20552

Honorable Mary L. Shapiro
Chairman
Securities and Exchange Commission
Washington, DC 20549

Honorable Shaun Donovan
Secretary
Department of Housing & Urban
Development
Washington, DC 20410

Mr. John G. Walsh
Acting Comptroller
Office of the Comptroller of the Currency
Washington, DC 20219

Re: Credit Risk Retention Proposed Rule

Transmitted electronically to regs.comments@federalreserve.gov (Docket No. R-1411)

Ladies and Gentlemen:

On behalf of the Maryland Association of REALTORS® (MAR), I urge you to reconsider your proposed rule to implement the risk retention provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act that are designed to discourage excessive risk taking by lenders and securitizers. MAR believes the rule will create worse problems than it seeks to solve, and will disproportionately affect states with high housing costs such as Maryland.

To avoid hurting creditworthy families, Congress exempted from risk retention Qualified Residential Mortgages (QRMs) that have lower risks of default, help ensure high quality underwriting, and improve consumer access to credit on reasonable terms or are otherwise in the public interest and for the protection of investors. However, the proposed minimum 20 percent down payment (and even higher equity requirements for those seeking to refinance), very low debt-to-income ratio requirements, and rigid credit standards creates such a narrow definition of QRM that it fails to meet these statutory standards. If adopted,

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the proposed rule will deny millions of credit worthy Americans access to the lowest cost and safest mortgages. This is particularly true in states with high housing costs.

The narrow definition of a QRM mortgage is simply not necessary to assure safe and sound mortgage lending. Traditional mortgages, without risky features such as teaser rates and balloon payments, coupled with sound underwriting and documentation of income and assets, perform well with relatively low default rates. During the recent crisis, for example, FHA loans with down payments as low as 3.5% have had a relatively low default rate, compared to subprime and Alt-A mortgages with risky features and weak underwriting.

Millions of families will fail to qualify for a QRM mortgage and have to pay higher rates and fees for a non-QRM mortgage, if they are even able to qualify. For example, consider loans made in 2008. Raising the downpayment from 5% to 20% reduces the default rate by only 0.6%, but makes 20.7% of borrowers ineligible for a QRM loan.

The National Association of REALTORS® estimates non-QRM mortgages will cost from 80 to 185 basis points more than a QRM mortgage, in addition to higher fees. A median income family would have to save for 16 years to acquire a 20% downpayment, with closing costs estimated at 5% of the loan amount, to purchase a median priced home. A Maryland family would need 22 years to accumulate the minimum downpayment because of our state's higher housing costs (see attachment).

The impact on minority families, who on average have lower median incomes, is even more severe. The high down payment requirements will, as a practical matter, be a permanent bar to homeownership unless the family is able to obtain an FHA loan. Further concentration of the mortgage market in federal programs is not the solution.

Moreover, any private market lending which occurs will likely be concentrated in fewer companies. The narrow QRM definition results in a competitive advantage for large lenders with bigger balance sheets, to the detriment of community-based lenders. Further concentration in the private market would also be contrary to Congressional intent.

Please refer to the comments on the proposed rule submitted by the 45 member Coalition for Sensible Housing Policy for more detailed analysis of the problems that would be created by the proposal and citations to relevant data. Thank you for the opportunity to comment on the proposed rule. We urge reconsideration of this initial, unworkable approach and encourage a broad definition of QRM that includes a full range of safe and sound mortgages to enhance access to homeownership while avoiding harm to the housing market and the American economy.

Sincerely yours,

Cathy Werner

Cathy Werner
President

cc:

Honorable Timothy F. Geithner
Secretary
Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220

The Honorable Benjamin L. Cardin
509 Hart Senate Office Building
Washington, DC 20510

The Honorable Andy Harris
506 Canon House Office Building
Washington, DC 20515

The Honorable Dutch Ruppersberger
2453 Rayburn House Office Building
Washington, DC 20515

The Honorable John P,. Sarbanes
2444 Rayburn House Office Building
Washington, DC 20515

The Honorable Donna F. Edwards
506 Canon House Office Building
Washington, DC 20515

The Honorable Barbara Mikulski
503 Hart Senate Office Building
Washington, DC 20510

The Honorable Steny H. Hoyer
1705 Longworth House Office Building
Washington, DC 20515

The Honorable Roscoe Bartlett
2412 Rayburn House Office Building
Washington, DC 20515

The Honorable Elijah Cummings
2235 Rayburn House Office Building
Washington, DC 20515

The Honorable Chris Van Hollen
1707 Longworth House Office Building
Washington, DC 20515

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Attachment 1

Saving for Down Payment in Maryland/2009

County	Starter Home Price (1)	FT Buyer Median Household Income (2)	HH Savings Per Year(3)	5% Down Payment Amount/Number of Years	10% Down Payment Amount/Number of Years	20% Down Payment Amount/Number of Years
Allegany County	$95,412	$21,176	$1,059	$4,770/4.5 years	$9,541/9 years	$19,082/18 years
Anne Arundel County	$250,750	$45,510	$2,276	$12,538/5.5 years	$25,075/11 years	$50,150/22 years
Baltimore County	$191,250	$36,839	$1,842	$9,562/5.1 years	$19,125/10.3 years	$38,250/20.7 years
Baltimore City	$114,750	$21,921	$1,096	$5,738/5.2 years	$11,475/10.4 years	$22,950/20.9 years
Calvert County	$246,075	$49,180	$2,459	$12,303/5 years	$24,608/10 years	$49,215/20 years
Caroline County	$148,750	$28,215	$1,411	$7,438/5.2 years	$14,875/10.5 years	$29,750/21 years
Carroll County	$229,500	$44,698	$2,235	$11,475/5.1 years	$22,950/10.2 years	$45,900/20.5 years
Cecil County	$191,250	$34,510	$1,726	$9,563/5.5 years	$19,125/11 years	$38,250/22.1 years
Charles County	$221,000	$48,962	$2,448	$11,050/4.5 years	$22,100/9 years	$44,200/18 years
Dorchester County	$127,500	$24,938	$1,247	$6,375/5.1 years	$12,750/10.2 years	$25,500/20.4 years
Frederick County	$199,750	$47,081	$2,354	$9,988/4.2 years	$19,975/8.4 years	$39,950/16.9 years
Garrett County	$209,100	$24,122	$1,206	$10,455/8.6 years	$20,910/17 years	$41,820/34 years
Harford County	$199,750	$42,957	$2,148	$9,988/4.6 years	$19,975/9.2 years	$39,950/18.5 years
Howard County	$289,000	$57,808	$2,890	$14,450/5 years	$28,900/10 years	$57,800/20 years
Kent County	$178,500	$28,833	$1,442	$8,925/6.1 years	$17,850/12.3 years	$35,700/24.7 years
Montgomery County	$289,000	$53,451	$2,673	$14,450/5.4 years	$28,900/10.8 years	$57,800/21.6 years
Prince George's County	$187,000	$39,641	$1,982	$9,350/4.7 years	$18,700/9.4 years	$37,400/18.8 years
Queen	$242,250	$42,833	$2,142	$12,113/5.6	$24,225/11.3	$48,450/22.6

Anne's County				years	years	years
St. Mary's County	$235,662	$40,650	$2,033	$11,783/5.7 years	$23,566/11.5 years	$47,132/23.1 years
Somerset County	$123,675	$20,304	$1,015	$6,184/6 years	$12,368/12.1 years	$24,735/24.3 years
Talbot County	$279,012	$33,991	$1,700	$13,951/8.2 years	$27,901/16.4 years	$55,802/33.8 years
Washington County	$142,587	$27,863	$1,393	$7,129/5.1 years	$14,259/10.2 years	$28,517/20.4 years
Wicomico County	$141,950	$26,450	$1,323	$7,098/5.3 years	$14,195/10.7 years	$28,390/21.4 years
Worcester County	$242,250	$27,263	$1,363	$12,113/8.8 years	$24,225/17.7 years	$48,450/35.5 years
State of Maryland	$216,849	$39,440	$1,972	$10,842/5.4 years	$21,685/10.9 years	$43,370/22 years

Notes:
(1) 85 percent of median home price based on statistics as reported by MRIS, Inc. and Coastal Association of REALTORS®
(2) 57 percent of annual Maryland median household income adjusted using data provided by the U.S. Census Bureau
(3) The average rate of savings per household in the United States is 5 percent per year.