

I am a very experienced realtor in Arizona, and as such am very familiar with our housing market. The following remarks represent the reality of our marketplace.

The intent of the risk retention requirement written in Dodd-Frank was to make it more difficult to originate and securitize the types of loans that caused the worst problems during the downturn. The QRM (Qualified Residential Mortgage) definition should, and does, explicitly target these riskier attributes. There is no reason to further cut off credit to borrowers by layering on other more onerous restrictions that were not implicated in the downturn. The current QRM proposal is contrary to the explicit intent of Congress. To qualify for a QRM under the proposal, the borrower must make a 20 percent down payment and have a maximum loan-to-value (LTV) ratio of 80 percent for purchase loans and a 75 percent combined LTV for refinance transactions, reduced to 70 percent for cash-out refinances. In addition to a 20 percent down payment, the borrower must have cash to pay closing costs. Additionally, a borrower's debt load must not exceed front-end and back-end debt-to-income (DTI) ratios of 28 percent and 36 percent, respectively.

In the analysis used to justify the QRM definition, the Federal Housing Finance Agency (FHFA) found that **less than one third** of loans purchased in 2009 by the GSEs, Fannie Mae and Freddie Mac, would have met these QRM requirements. This is notable because 2009 was, by most accounts, the most cautiously underwritten, liquidity-constrained market in generations. Individual lender decisions and market forces have pushed underwriting standards significantly tighter. It is questionable why regulators would want to define QRM even narrower than the underwriting practices that prevail in today's much tighter credit market, such that two out of every three borrowers either will not qualify for a loan, or will have higher payments because of the loan's non-QRM status.

QRM's 20 percent down payment requirement alone would provide a nearly insurmountable barrier to most first-time and low- and moderate-income borrowers achieving homeownership, notwithstanding that they otherwise may qualify for a mortgage. The QRM's DTI ratios also are considerably lower than the market has seen in recent years. In conjunction with the LTV requirements, the ratios will bar the door to even more borrowers who may have offsetting resources and payment behavior that under the proposal cannot be considered. Higher LTV loans may pose higher risks. However, these risks can be mitigated by compensating factors such as strong credit and full documentation. While a reasonable and affordable cash investment or LTV requirement may be warranted – although they are not suggested by the statute – the rules should permit offsetting factors in the context of prudent underwriting. While reasonable DTI ratios were to be considered under the law, the ratios should not be unduly restrictive.

Again, the proposed QRM definition far too narrow. In fact, the QRM definition is so restricted that **80 percent** of loans sold to Fannie Mae or Freddie Mac over the past decade would not meet these requirements. Additionally, the proposal raises several other major concerns addressed in this testimony including: What impact the proposal could have on the Federal Housing Administration (FHA) programs; The effect of the proposed government sponsored enterprise (GSE) exemption; and The economic impact of the proposal. Additionally, it should be ensured that the finalized QRM definition matches that of the QM (Qualified Mortgage) definition to avoid conflicting regulation.

It is no exaggeration to say that both the risk retention requirements and the structure of the QRM exemption will **affect who can and cannot buy a home for years to come**. Please reconsider the proposal set forth for the QRM requirements. The restrictive nature of the loan to value and debt to income ratios will hinder the economic recovery in our area. The comment period and discussion on the rule should be both extended and broadened as necessary to ensure there is ample opportunity to consider the rule's profound implications. I am available to answer any specific questions that you may have on this matter.

Sincerely,

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