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July 20, 2011

Hon. Ben S. Bernanke, Chairman
Board of Governors of the
Federal Reserve System
Washington, DC 20551
Docket No R-1411; RIN 7100-AD70

Hon. Martin Gruenberg, Acting Chairman
Federal Deposit Insurance Corporation
Washington, DC 20429
RIN 3064-AD74

Mr. Edward J. DeMarco, Acting Director
Federal Housing Finance Agency
Washington, DC 20552
RIN 2590-AA43

Hon. Mary L. Shapiro, Chairman
Securities and Exchange Commission
Washington, DC 20549
File Number S7-14-11; RIN 3235-AK96

Hon. 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
Docket No OCC-2010-0002; RIN 1557-AD40

Re: Credit Risk Retention Proposed Rule

Ladies and Gentlemen:

Absalon Project is a joint venture of affiliates of Soros Fund Management and VP Securities Denmark to promote a mortgage bond model of matched funding for mortgage lending, which we style ***balanced mortgage bonds***. Under this model, banks fund each mortgage through ***tap issue***[1] of standardized, exchange traded, transparent covered bonds for the same principal amount and interest rate. The bonds are secured by a cover pool of high quality, similar mortgage loan assets, which optimizes capital and overcollateralisation. Mortgages can be fixed or adjustable rate. Absalon Project has used the inspiration of the Danish model to develop a cooperative solution for mortgage bond issuance which can be flexibly adapted to mortgage finance requirements of other countries. The system is live in Mexico and is in various stages of development in other OECD and emerging market countries.

We urge you to adopt the proposed QRM rule as drafted to implement the risk retention provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

While you will receive many comments requesting weaker provisions, we believe that the proposed QRM rule sensibly accommodates the objectives of promoting prudent lending, protecting

[1] Under *tap issue*, a bond series trading on the exchange is used to price further bonds issued into the same series to fund new mortgage borrowing at market rates. Fewer bond series result in larger, more liquid bond series with better market pricing and broader investor appeal.

consumers and investors, and building sustainable, resilient and liquid mortgage securitization markets.

In particular, we support the fixed loan-to-value requirement of 80 percent for a mortgage loan to achieve the QRM standard. Denmark has had a statutory 80 percent loan-to-value requirement since the first mortgage bond legislation, and has never experienced a mortgage bond default in the more than 210 year history of their mortgage bond market.. A clear, fixed limit encourages investor confidence in the quality and conformance of underlying mortgage loan assets. We believe that a 20 percent equity commitment on behalf of the homeowner is both necessary and sufficient to satisfy the high standards necessary to avoid lender risk retention.

As was noted when the draft rule issued, QRM are expected to be a niche segment of the mortgage market. The QRM requirements are far from onerous, by international standards. In Denmark, the world's third largest mortgage securitization market, mortgage lenders retain all credit risk for the life of any mortgage loan and are statutorily required to ensure 80 percent LTV at origination. By contrast, a mere 5 percent risk retention on non-QRM loans is quite accommodating.

Along with other reforms, a fixed loan-to-value rule will help restore investor confidence in mortgage loan asset quality and so liquidity in mortgage asset markets. Investor confidence can substantially improve the price discovery, integrity and resiliency of mortgage securitization markets, even under stress conditions. Denmark's mortgage bond market has singularly outperformed all other mortgage securitization markets since 2007, remaining liquid, transparent, market priced and drawing broad domestic and international investment. Notably, no government bailouts, guarantees or special central bank liquidity facilities have been required to support or subsidize Danish mortgage banks.

A clear loan-to-value QRM rule will help restore investor confidence in American mortgage securitization markets, and help to stabilize wholesale market funding for American financial institutions. This in turn will increase funding available to households while reducing the moral hazard, systemic risk and government subsidy which characterize the current framework.

We are grateful for the opportunity to comment on the proposed rule. We support your judgment as reflected in the draft rule, and share your commitment to restoring safe and sound mortgage securitization markets.

Sincerely yours,

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