From: liz.larson@usfed.org
Sent: Tuesday, July 19, 2011 12:53 PM
To: Comments
Subject: Interagency "Credit Risk Retention" Proposed Rules

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July 19, 2011

FDIC Federal Deposit Insurance Corporation

Dear FDIC Federal Deposit Insurance Corporation:

As a concerned credit union, I am writing to urge your agency to go back to the drawing board and redevelop the proposed "Qualified Residential Mortgage" (QRM) standard set forth in the proposed Credit Risk Retention Rules issued on April 29, 2011. Although credit unions support the development of a safer and sounder secondary mortgage market with equal access for all financial institutions, the proposed QRM standard is simply too narrow.

The proposed QRM standard contains unnecessarily stringent underwriting standards (for example, the high down payment/loan-to-value ratio requirement, the exclusion of private mortgage insurance, the stringent credit history requirements, and low proposed debt-to-income ratios) that could create unnecessarily high barriers for qualified borrowers, significantly reducing the pool of borrowers that could obtain a mortgage loan with the low rates and preferred product features of a QRM. It could also exclude mortgages from securitizations that do not necessarily represent undue risk simply because they do not conform to this narrow QRM standard.

Additionally, although the proposed QRM is intended to be the exception rather than the rule in the private mortgage market, it runs the risk of turning into the standard for mortgages - particularly for credit unions.
The National Credit Union Administration, tasked with supervising the safety and soundness of all federally insured credit unions, generally requires credit unions to adhere to Fannie Mae and Freddie Mac underwriting standards. With the status of the GSEs unknown, a QRM standard could be viewed by NCUA as necessary to ensure safety and soundness concerns are met.

Not only will the unduly narrow proposed QRM standard create unnecessary barriers for qualified borrowers, but it limits the flexibility credit unions have in tailoring loans to their members' needs, and could potentially make it difficult for credit unions to make non-QRM loans.

We urge to you go back to the table to redevelop the QRM definition and issued a new proposed QRM standard for public comments.

Sincerely,

Elizabeth Larson
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