October 30, 2013

Via Electronic Mail

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

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Mr. Robert E. Feldman
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Attention: Comments
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550 17th Street, N.W.
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Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

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General Counsel
Attention: Comments/RIN 2590-AA43
Federal Housing Finance Agency
Fourth Floor
1700 G Street, N.W.
Washington, D.C. 20552

Regulations Division
Office of General Counsel
Department of Housing and
Urban Development
451 7th Street, S.W.
Room 10276
Washington, D.C. 20410

RE: Proposed Rule on Credit Risk Retention (Federal Reserve: Docket No. R-1411; RIN No. 7100 AD-70; OCC: Docket No. OCC-2013-0010; FDIC: RIN No. 3064-AD74; SEC: File Number S7-14-11; FHFA: RIN 2590-AA43; HUD: [FR-5504-P-1])

Ladies and Gentlemen:

The PNC Financial Services Group, Inc. ("PNC") appreciates the opportunity to comment on the re-proposal by the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, the Federal Housing Finance Agency, and the Department of Housing and Urban Development (collectively, the "Agencies") to adopt regulations to implement the credit risk retention requirements of section 15G of the Securities Exchange Act of 1934 (15 U.S.C. 78o–11), as added by section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act").[1]

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[1] Credit Risk Retention, 78 *Federal Register* 57,938 (Sep. 20, 2013) ("Re-proposal").

Section 15G is designed to address concerns with the "originate-to-distribute" securitization model whereby originators and sponsors of securitizations had little incentive to mitigate credit risk because it could be transferred so easily to investors through the securitization process. The statute is intended to help prevent this misalignment of incentives and instead provide incentives for sound underwriting in the future by requiring "securitizers" or originators of securitized assets to retain a measure of credit exposure for those assets. PNC supports the purposes of section 15G and believes that, if appropriately implemented, it has the potential to help ensure that the market for assets that are securitized, particularly the residential mortgage market, avoids returning to disfavored past practices. Our comments below primarily are intended to ensure that credit risk retention for the residential mortgage-backed securities ("RMBS") market is implemented consistent with the statute and in a way that promotes the availability of credit for all creditworthy homebuyers, but we also address some comments towards the Re-proposal's provisions concerning risk retention for commercial mortgage-backed securities ("CMBS").

PNC is a diversified financial services company with more than $308 billion in assets, as of September 30, 2013. PNC businesses engage in retail banking, corporate and institutional banking, asset management, and residential mortgage banking. PNC provides many of its products and services nationally and others in PNC's primary geographic markets, including 19 states in the Northeast, Midwest and Southern United States.

The credit risk retention regulations will apply to the securitization of residential mortgage loans, commercial mortgage loans (including multifamily mortgages), automobile loans, and other assets. PNC plays varied and important roles in the origination and servicing of a diverse array of assets that are securitized. PNC originated more than $15 billion in residential mortgages in 2012. PNC's mortgage team serves our customers through approximately 2,900 retail banking branches and our network of more than 120 retail mortgage offices in the continental United States. PNC's commercial real estate finance business, PNC Real Estate, offers one of the industry's most comprehensive arrays of banking and financing solutions to the commercial real estate industry, including acquisition, construction and permanent financing across the spectrum of property types, and including commercial loan servicing, and real estate advisory and technology solutions. PNC Real Estate provided over $14.0 billion of new real estate capital in 2012. As of September 30, 2013, PNC Real Estate serviced approximately 11,100 loans under servicing contracts with securitization trusts for CMBS transactions, and was the named special servicer on 123 securitization trusts.

1. Risk Retention Should Apply to a Broad Segment of the Residential Mortgage Market

Section 15G provides an exemption from the credit risk retention requirements for qualified residential mortgages ("QRMs"). As discussed in more detail below, PNC believes that a definition of QRM that covers no more than roughly half the residential mortgage market is important to achieve two objectives. First, as an exemption to the risk retention rule, QRM should not be defined in a manner that would leave only a small fraction of the residential mortgage market subject to risk retention. An exemption that swallows the rule, and includes too broad a portion of the residential mortgage market, would make QRM, i.e., no risk retention, the norm, rather than an exception. Such a result would clearly undermine the purpose of the statute to provide sponsors and originators an economic incentive to monitor and manage the credit risk of the assets they securitize—both to protect their own safety and soundness and to protect the

financial system and investors. We believe the definition of QRM also should include only the safest portion of the market of residential mortgage loans. Only when the credit risk of a loan is very small do the incentive effects sought to be achieved by Section 15G become unnecessary.

Second, a narrow QRM definition should help ensure that the non-QRM market has enough liquidity in the secondary market so that non-QRM loans will not be subject to a punitively high "liquidity premium" solely as a result of this rulemaking. PNC believes the agencies should seek to reduce the potential impact of the risk retention rules on the non-QRM market in order to help ensure that low-income and other borrowers who may not be able to qualify for a QRM loan do not face an undue liquidity premium.

Based on these objectives, PNC does not support the re-proposed definition of QRM, which defines the standard by reference to the definition of "qualified mortgage" ("QM") that was promulgated by Consumer Financial Protection Bureau ("Bureau").[2] This definition would encompass such a broad portion of the residential mortgage market as to render the intended benefits of risk retention nonexistent and undermine the economic incentives sought to be achieved by the statute. Furthermore, such a broad definition would likely mean that a liquid secondary market for non-QM/non-QRM loans would not develop, resulting in higher costs to those consumers who cannot qualify for a QM.

However, based on an analysis of CoreLogic data, which is discussed below, we do support a definition of QRM along the lines of the "QM-plus alternative" that the Agencies include in the Re-proposal. This narrower definition of QRM could achieve the objectives of section 15G. Our analysis also suggests that the Agencies could raise the loan-to-value ("LTV") ratio prong of the QM-plus definition of QRM and still achieve the purposes of the statute.

2. QM Should Not Set the Standards for Risk Retention

Section 15G generally exempts sponsors of securitizations from the risk retention requirements if all of the assets that collateralize the securities issued in the transaction are QRMs. The statute provides that in defining QRM, the Agencies must take into consideration "underwriting and product features that historical loan performance data indicate result in a lower risk of default."[3] Section 15G goes on to say that the definition of QRM can be no broader than the definition of QM.

In the original proposal, the Agencies, taking into consideration the direction of the statute, determined that they should define QRM based on underwriting standards and product features that "help ensure that such residential mortgages are of *very high credit quality*."[4] After a careful analysis of various data sources, the Agencies proposed a definition of QRM with standards that reflect borrowers' willingness and ability to repay loans. These features included

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[2] Re-proposal §____.13(a). Title XIV of the Dodd-Frank Act revised the Truth in Lending Act to require creditors to make reasonable and good faith determinations that a prospective borrower under any residential mortgage loan has a reasonable ability to repay the loan. Section 1412 of the Dodd-Frank Act provides that QMs are presumed to meet this standard and provides a detailed definition of QMs (e.g., no negative amortization or interest-only features, points and fees limits, no term beyond 30 years, and no balloon payments). The Bureau issued implementing regulations that included a definition of QM. 12 CFR § 1026.43(e).

[3] 15 U.S.C. 78o-11(e)(4)(B).

[4] Credit Risk Retention, 76 *Federal Register* 24,090, 24,117 (Apr. 29, 2011) ("Original Proposal") (emphasis added).

limits on LTV ratios and credit history of the borrower. The Agencies indicated that all of their criteria to define QRM were "supported by a substantial body of evidence, both in academic literature and developed for this rulemaking," to support the view that "loans that meet the minimum standards established by the Agencies have low credit risk even in stressful economic environments that combine high unemployment with sharp drops in house prices."[5]

In the Re-proposal, the Agencies have taken a very different approach; they jettison the LTV and credit history criteria included in the Original Proposal and propose to expand QRM to be as broad as QM. The Agencies state that "historical data indicate that mortgages that meet the QM criteria have a lower probability of default than mortgages that do not meet the criteria."[6] However, the Agencies also acknowledge that loans originated between 2005 and 2008 that equate to the QM definition have experienced a *23 percent* serious default rate (i.e., had experienced a 90-day or greater delinquency or a foreclosure by the end of 2012). In the Re-proposal, the Agencies emphasize that they do not believe that this is an acceptable level of default,[7] making clear that the definition includes loans that do not meet the "very high credit quality" standard set forth in the Original Proposal.

PNC believes that QM is not the appropriate way to define QRM because the QM standard was not intended to define a set of loans with very low credit risk characteristics. In fact, the definition is so broad that it would completely undermine the purposes of the risk retention provisions of the Dodd-Frank Act. QM was intended by Congress as an underwriting standard that lenders can use to more easily establish that they have met the Dodd-Frank Act's mandate that lenders take into account a borrower's reasonable ability to repay those loans. Thus, in defining QM, the Bureau did not include two criteria that are key to credit risk—LTV and borrower credit history. This is because these factors may have a greater bearing on a borrower's willingness to repay a loan, or the credit loss a lender might experience if the loan were to default, rather than the borrower's *ability* to repay the loan. While PNC supports the Bureau's exclusion of these criteria from the general definition of QM, we do not believe that these criteria should be excluded from a definition of QRM because they are so important to the credit risk of a mortgagor—which is the focus of QRM.

As the Agencies point out, historical loan performance data indicate that loans meeting the QM definition experienced very high serious default rates—up to 23 percent—during recent periods of stress. Clearly, then, the universe of QM loans includes some loans that have elevated levels of credit risk. Given the statute's direction to consider default rates in defining QRM, we simply do not see how the QM default rate cited by the Agencies supports the use of QM in defining the universe of QRMs. It is precisely loans with such elevated levels of credit risk that would benefit from the incentives achieved through the risk retention requirements of Section 15G. We note, moreover, that the serious default rate on QMs may well be *higher* in future periods of stress, as it is likely that some participants in the mortgage market will devise new loan products that meet the technical criteria of the QM definition, but that have higher-than-normal levels of credit risk.

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[5] *Id.* at 24,118.

[6] Re-proposal at 57,989.

[7] *Id.* at 57,989-90.

Accordingly, PNC believes it is very important that QRM include LTV and credit history characteristics as defining criteria to ensure that QRM loans represent low credit risk even in stressful economic environments. As we discuss below, we believe that the Agencies have flexibility in how to apply these characteristics.

The Agencies acknowledge that aligning the QRM and QM definitions also "has the potential to intensify any existing bifurcation in the mortgage market between QM and non-QM loans, as securitizations collateralized by non-QMs could have higher funding costs due to risk retention requirements in addition to potential risk of legal liability under the ability-to-repay rule."[8] We agree and in fact are very concerned that, by creating such a small universe of non-QRM loans, the Re-proposal will significantly exacerbate the pricing differential between QM/QRM and non-QM/non-QRM lending, potentially creating a "cliff effect" that makes it even more difficult for low-income borrowers to obtain mortgage credit at reasonable prices.

Under the Bureau's ability-to-repay standards adopted under the Dodd-Frank Act, borrowers can challenge whether a lender made a reasonable and good faith determination at time of consummation of the loan whether the borrower had a reasonable ability to repay the loan.[9] These assertions can be brought in court against not only the lender, but any assignee. Importantly, borrowers can make these assertions in foreclosure proceedings.[10] However, the statute and the Bureau's implementing regulations encourage lenders to make QMs by reducing the litigation risk arising from the ability-to-repay requirement.[11] Presumably, non-QM loans that carry increased litigation risk for lenders and assignees will be more expensive. This likelihood is only increased by the fact that QM is likely to cover the vast majority of the market.[12] Thus, there already is likely to be a meaningful liquidity premium for non-QM loans, many of which will be made to borrowers toward the lower end of the credit spectrum.

PNC believes that there are creditworthy borrowers at this level who may not be eligible for QM loans. In addition, the Bureau has said that it is confident that there are significant numbers of non-QM loans that would meet the ability-to-repay standard and has publicly encouraged the industry to continue to extend credit in this space once the ability-to-repay rules become effective. As recently as this week, Director Cordray stated, "[t]here are plenty of good loans made every year – for example, loans made to a borrower with considerable other assets or whose individual circumstances and repayment ability are carefully assessed – that are non-QM because they do not meet the 43 percent debt-to-income ratio or are not eligible for purchase by

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[8] Re-proposal at 57,991.

[9] 15 U.S.C. § 1639C.

[10] *Id.* at 1639C(k).

[11] The Bureau provides that QMs will either benefit from a safe harbor or a rebuttable presumption that those loans meet the ability-to-repay standard. 12 CFR 1026(e).

[12] In fact, QMs are likely to cover virtually all of the market when the Bureau's regulations take effect next January. The Bureau estimates that loans meeting the QM requirements likely will represent more than 95 percent of the market. Prepared Remarks of Richard Cordray, Director of the Consumer Financial Protection Bureau, Mortgage Bankers Association Annual Convention, October 28, 2013 *available at* http://www.consumerfinance.gov/newsroom/director-cordray-remarks-at-the-mortgage-bankers-association-annual-convention/. Likewise, PNC's analysis of CoreLogic data show that non-QM loans represented less than 2 percent of historical lending from 2010 through 2013 against the current definitions of QM.

the government-sponsored entities (GSEs), but nonetheless are based on sound underwriting standards and routinely perform well over time."[13]

However, aligning the QM/QRM definitions will substantially increase the liquidity premium for non-QM/QRM loans and make it very unlikely that a vibrant secondary market for these loans could develop. We simply do not believe the Agencies should adopt rules that effectively eliminate this market—or cause low-income or other borrowers in this market to pay artificially and unnecessarily high rates or fees—by imposing risk retention only on the small segment of loans that would not be QM loans. In our view, the much better approach is to apply risk retention to a broader segment of the market that includes those QM loans with higher levels of credit risk. If the non-QRM portion of the market is broad enough, there should be no liquidity premium arising from risk retention.[14]

In the Re-proposal, the Agencies expressed concern that a narrower QRM definition could impose "further constraints on mortgage credit availability *at this time*, especially as such constraints might disproportionately affect groups that have historically been disadvantaged in the mortgage market, such as lower-income, minority, or first-time homebuyers."[15] PNC agrees that the Agencies should not seek to implement rules that disadvantage borrowers with lower-incomes, minorities or first-time homebuyers, but we do not believe that a narrower QRM will necessarily reduce credit availability for these groups or any other groups of borrowers.

Under the Re-proposal, securitizations of FHA loans, as well as securitizations by Fannie Mae and Freddie Mac (collectively, the "GSEs") while they are in conservatorship, are effectively exempted from risk retention—not because of the QRM definition, but because of other exemptions and provisions in the rule.[16] Given that approximately 95 percent of the market today is backed by the GSEs or FHA, we see little risk that a narrow QRM definition will have a significant immediate impact on credit availability.[17] In addition, policymakers and the financial sector should be taking steps now to prepare for the day when the GSE conservatorships are finally terminated and FHA and credit standards generally return to levels more consistent with historical norms. At that time, it is likely that the percentage of prospective creditworthy borrowers at the lower end of the credit spectrum who are not QM eligible will be higher than today. A narrow definition of QRM would benefit this group by ensuring that those who do not—for any reason—meet the QM definition are still able to obtain a loan without an excessive liquidity premium.

Another reason the Agencies cite for effectively eliminating the risk retention requirement for RMBS is that additional segmentation of the market at this time may pose implementation challenges.[18] However, we believe the benefits to the financial sector and

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[13] *Id.*

[14] Of course, non-QRMs would likely be higher priced, but such costs would be due to the higher credit risk associated with the loans, not the costs of holding risk retention.

[15] Re-proposal at 57,991 (emphasis added).

[16] *Id.* at 58,033 (§___.8); 58,043 (§___.19(a)(1)).

[17] For example, based on the CoreLogic data that we analyzed, approximately 3 percent of total originations between January 2010 and May 2013 were not GSE, FHA or VA loans. *See* attachment.

[18] *Id.* at 990.

consumers of giving meaningful effect to the risk retention provisions of Section 15G outweigh the implementation costs that might arise from defining QRM more narrowly than QM. Moreover, it is unclear why the regulatory burdens posed by defining QRM this way would have a greater impact on credit availability than the myriad of other requirements imposed by legislative and regulatory prerogative on the mortgage market, including servicing mandates, new capital and liquidity requirements, and underwriting standards.

3. Analysis of QM-plus Definition

Under the Re-proposal, the Agencies seek comment on a narrower definition of QRM called QM-plus.[19] This definition of QRM would include the core QM criteria, including requirements for product type, loan term, points and fees, underwriting, income and debt verification and debt-to-income levels.[20] The Agencies would then add four other factors that would limit the scope of QRM to loans that also meet each of the following criteria:

- LTV ratio on the loan is not more than 70 percent;
- The borrower's credit history meets the following criteria:
  - Is not currently 30 or more days past due on any debt obligation;
  - Has not been 60 or more days past due on any debt obligations within the preceding 24 months;
  - Has not, within the preceding 36 months, been a debtor in bankruptcy proceeding or been subject to a judgment for collection of an unpaid debt, had personal property repossessed; had any one-to-four family property foreclosed upon, or engaged in a short sale or deed in lieu of foreclosure.
- The loan is secured by one-to-four family real properties that constitute the principal dwelling of the borrower (e.g., vacation homes would be excluded); and
- The loan must be a first-lien mortgage and no other recorded, perfected or junior liens could exist at closing (piggy-back loans also would disqualify the loan from QRM).[21]

PNC analyzed the QM-plus proposal from the Agencies using mortgage data from January 2010 through May 2013 from CoreLogic. We sought to determine the size of the QRM market under a QM-plus definition and a definition of QM-plus with LTV ratios of 79.9, 80, and 90 percent. We chose to vary the LTV ratio, rather than other factors of the QM-plus definition, because we believe that the LTV ratio is the best objective predictor of credit risk and is most effective at identifying loans of very low credit risk. In addition, we recognize that down payment restrictions on mortgages can restrict access to homeownership for creditworthy borrowers who have lower incomes. Thus, PNC believes that, while it is important to have an LTV prong of QRM, we believe it should be set at a level that facilitates homeownership for borrowers with lower incomes.

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[19] *Id.* at 993-94.

[20] Loans that are QMs because they meet the Bureau's QM definitions for GSE-eligible covered transactions, small creditors, or balloon loans would *not* be considered to meet the core-QM criteria and, therefore, would not be QRMs under the QM-plus definition. Re-proposal at 57,993.

[21] Re-proposal at 57,993-994.

We began our analysis with a sample size of almost 12 million loans originated between January 2010 and May 2013. We screened out loans made under the Home Affordability Refinance Program ("HARP") on the basis that these loans are made to high LTV borrowers under a temporary program that was undertaken as an extraordinary response to the mortgage crisis.[22] We also excluded loans with missing debt-to-income ("DTI") ratios or DTI ratios in excess of 65 percent and loans that cannot be considered fully documented, as we do not believe a significant number of these loans will be made after the Bureau's ability-to-repay rules take effect next January.[23] This reduced our sample size, or the loans used as the denominator in our analysis, down to approximately 3.3 million loans.

We then sought to identify those loans that would meet the QM-plus criteria. To identify loans that meet the core QM criteria, we considered only single-family, owner-occupied loans that are fully amortizing with no negative amortization, have terms up to and including 30 years, and have a DTI ratio of no more than 43 percent. Since CoreLogic data does not contain credit history, we used a FICO credit score of 660 as a proxy for this factor of QM-plus, which we believe would most closely correlate to the credit history characteristics of QM-plus identified by the Agencies.

Finally, we present our QM-plus analysis below excluding FHA and VA loans. As discussed above, the Re-proposal would exempt these loans from risk retention requirements and PNC believes that it is appropriate to exclude these loans from risk retention requirements as the Federal government already explicitly carries 100 percent of the credit risk on the loans. An analysis that includes FHA and VA loans is presented in the attachment.

The following table provides the percentage of the remaining dataset of residential mortgage loans that would meet the QM-plus criteria at varying LTV levels based on our analysis of CoreLogic data.

LTV Requirement for QM Plus	Percentage of the Market that would be QRM
LTV≤90%	67.4%
LTV≤80%	65.1%
LTV≤79.9%	54.3%
LTV≤70%	36.0%

[22] HARP is a loan program designed for borrowers who are seeking refinancing even though their property values have decreased and they have high LTV ratios. As a result of these high LTV ratios, few HARP loans would have qualified as QRM under our QM-plus analysis, regardless of where we set the LTV ratio level. Since HARP is a temporary program serving borrowers who very well may be in a position to get QRMs in the future, we excluded them from our analysis.

[23] QM loans also must meet points and fees thresholds (3 percent or less of the total loan amount in most cases). 12 CFR § 1026.43(e)(2)(3). We could not identify loans that may exceed this threshold because CoreLogic data does not include this data and there are no reasonable proxies available for determining which loans may exceed the thresholds.

Under this analysis, the Agencies' proposed QM-plus definition would mean that QRMs would represent 36 percent of the non-FHA/VA mortgage market. While this level of QRM loans should support enough liquidity for both the QRM and non-QRM segment of the market, it is important to note that the mortgage market today has tighter credit characteristics than are likely to be present in the future. As credit standards become more flexible, PNC would be concerned that a QRM definition which required an LTV of less than or equal to 70 percent could introduce liquidity challenges for the *QRM portion* of the market. Thus, we believe that it would be appropriate for the Agencies to raise the LTV threshold above 70 percent. Based on our review, we believe a maximum LTV of 80 percent would achieve the objectives of the statute.

PNC recognizes that while adopting a QRM definition that divides the mortgage market in half would be optimal to ensure that any liquidity premium from risk retention would be eliminated, such a definition must also ensure that QRMs should be of very high credit quality. Thus, while the data above show little sizing differentials of the market between 80 percent and 90 percent LTV ratios, we believe that setting an LTV threshold above 80 percent would undermine the objective that QRMs be of very high credit quality. After the Agencies analyzed historical default rates based on different LTV ratio levels using various data sets, they found that "default rates increase noticeably among loans used to purchase homes at LTV ratios above 80 percent."[24] Based on that review, the Agencies proposed a definition of QRM that had an LTV ratio component that varied between 80 percent, for purchase mortgages, 75 percent, for rate and term refinancings, and 70 percent, for cash-out refinancings.[25] We believe this analysis was sound and we recommend that the Agencies revisit their work in reconsidering the appropriate LTV ratio for QRM.

4. <u>PCCRA</u>

PNC supports the Agencies proposed revisions to the base risk retention requirement, including, most importantly, the decision to jettison the Premium Capture Cash Reserve Account ("PCCRA") from the Re-proposal. We believe that the PCCRA was unworkable for securitizations in all asset classes and would have caused particular problems in the securitization of both RMBS and CMBS.

5. <u>Commercial Mortgage-backed Securities</u>

PNC acts as originator, loan contributor, master servicer and special servicer for commercial and multifamily mortgage loans. We commend the Agencies for the improvements that were made to the proposed risk retention regulations after taking into consideration the comments that were made on the Original Proposal. We remain concerned, however, that there may be serious and unintended economic consequences to the Re-proposal, which would have an adverse impact on a reliable new issuance market for CMBS and overall commercial and multifamily credit capacity. PNC generally supports the comments of the Mortgage Bankers Association, the Real Estate Roundtable and the Commercial Real Estate Finance Council as they relate to CMBS. We underscore concerns we have with the Re-proposal with respect to the

[24] Original Proposal at 24,123.

[25] *Id*.

underwriting standards for qualifying commercial real estate loans, particularly: the fair value methodology and cash flow tests; the limitation that the two horizontal risk retention holders be *pari passu* rather than hold their interests on a senior/subordinate basis; the nature of the retained interest (securitized versus a participation interest or *pari passu* notes); and the quorum and voting requirements for replacing the special servicer. All of these issues are addressed in more detail in the letters submitted by those associations.

Thank you for your consideration of these comments. If you would like to discuss any aspect of this letter, please do not hesitate to call me at (630) 663-3314.

Sincerely,

E. Todd Chamberlain
CEO, PNC Mortgage

Analysis of Various Definitions of QRM, Jan 2010 - May 2013 CoreLogic Data[1]

Market Originations (CoreLogic) 201001 - 201305[2]	Exclusion applied to	GSE	Portfolio	FHA	VA	Total
		8,174,365	364,087	2,674,676	764,564	11,977,692
The QM overlay is shown in a waterfall below. Please note that not all overlays are applicable to all products, as detailed below in each exclusion description. Loan counts represent the remaining loan population after each exclusion						
HARP excluded[3]	GSE only	6,476,575	364,087	2,674,676	764,564	10,279,902
Missing DTI excluded (DTI = 0 and Missing values)[4]	All	2,975,563	329,571	996,345	181,686	4,483,165
DTI > 65 excluded (treated as invalid data in prior QM iterations)[4]	All	2,802,720	327,800	993,072	177,934	4,301,526
Non Full-Doc loans excluded (N/A for FHA and VA as all FHA loans including Low/No doc loans considered QM)[5] **[Note: This represents the cleaned up denominator/universe of loans][6]**	GSE and Portfolio	1,900,947	250,668	993,072	177,934	3,322,621
QM applied - NegAM, I/O, Balloon, Term>360 excluded	All	1,894,327	242,188	987,827	177,274	3,301,616
QM applied - DTI > 43 excluded	Portfolio only	1,894,327	212,632	987,827	177,274	3,272,060
% of Loans that are QM		99.7%	84.8%	99.5%	99.6%	98.5%

QM Plus with Various LTV Ratios Applied to GSE, Portfolio, FHA, and VA Loans

	Exclusion applied to	GSE	Portfolio	FHA	VA	Total
# of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 90	All	1,291,714	157,410	94,257	24,049	1,567,430
# of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 80	All	1,247,742	153,409	28,203	9,853	1,439,207
# of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 79.9	All	1,044,104	123,727	27,782	9,593	1,205,206
# of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 70	All	686,852	87,285	12,504	4,861	791,502
% of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 90		68.0%	62.8%	9.5%	13.5%	47.2%
% of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 80		65.6%	61.2%	2.8%	5.5%	43.3%
% of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 79.9		54.9%	49.4%	2.8%	5.4%	36.3%
% of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 70		36.1%	34.8%	1.3%	2.7%	23.8%

QM Plus with Various LTV Ratios Applied to GSE and Portfolio Loans Only. Assumes FHA/VA Loans Excluded From Risk Retention.

	Exclusion applied to	GSE	Portfolio	FHA	VA	Total
# of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 90	GSE and Portfolio	1,291,714	157,410	987,827	177,274	2,614,225
# of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 80	GSE and Portfolio	1,247,742	153,409	987,827	177,274	2,566,252
# of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 79.9	GSE and Portfolio	1,044,104	123,727	987,827	177,274	2,332,932
# of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 70	GSE and Portfolio	686,852	87,285	987,827	177,274	1,939,238
% of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 90		68.0%	62.8%	99.5%	99.6%	78.7%
% of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 80		65.6%	61.2%	99.5%	99.6%	77.2%
% of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 79.9		54.9%	49.4%	99.5%	99.6%	70.2%
% of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 70		36.1%	34.8%	99.5%	99.6%	58.4%
% of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 90		**67.4%**				
% of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 80		**65.1%**				
% of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 79.9		**54.3%**				
% of Loans that are QM Plus - Property Type, Occupancy Type, FICO ≥ 660 , DTI ≤ 43 and LTV ≤ 70		**36.0%**				
		Combined % GSE and Portfolio loans				

Footnotes

1) Data includes ROM Originations (CoreLogic data) - vintages >= 2010
2) Data for 2013 is only through 201305 origination months, since the CL transaction file (basis for determining investor ID) is as of 201307. Two month lag to allow all loans originated to be sold to investors, so that we can capture the correct investor category.
3) HARP Loans excluded from GSE loans, as HARP is considered a temporary stimulus program.
4) DTI Missing, 0 and >65 - all are treated as Missing DTI. We kept this consistent with our data clean up approach from our last QM updates in 201302.
5) For GSE and Portfolio, only Full doc loans are included- all other doc types excluded. We kept this consistent with our data clean up approach from our last QM updates in 201302. Non-Full Doc loans for FHA and VA are kept in the population as they are streamline Refi's, IRRLs etc.
6) Starting population for QM sizing is post exclusions stated in 3, 4 and 5 above.
7) The exclusions under QM Plus seek to replicate the alternative definition in the agencies' proposal including: applying the DTI≤43% test to all GSE loans, and excluding borrowers with a FICO<660 as a proxy for those that have been 30 days delinquent.