**Housing Assistance Council**
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October 30, 2013

Office of the Comptroller of the Currency
Attention: Docket ID OCC-2013-0010
400 7th Street, SW Suite 3E-218
Mail Stop 9W-11, Washington, DC 20219

Mr. Robert deV. Frierson
Secretary
Attention: Docket No. R-1411
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW Washington, DC 20551

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS (RIN 3064-AD74)
Federal Deposit Insurance Corporation
550 17thStreet, NW Washington, DC 20429

Mr. Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA43
Federal Housing Finance Agency
Comments/RIN 2590-AA43 Floor
400 Seventh Street, SW, Washington, DC 20024

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission,
Attention: File Number S7-14-11
100 F Street, NE., Washington, DC 20549-1090

Regulations Division, Office of General Counsel
Department of Housing and Urban Development,
451 7th Street, SW,
Room 10276, Washington, DC 20410-0500.

Re: Proposed Rule – Credit Risk Retention/Qualified Residential Mortgage

(Submitted via http://www.regulations.gov and emailed to RegComments@fhfa.gov)

Dear Agencies:

The Housing Assistance Council (HAC) respectfully submits reply comments to the Office of the Comptroller of the Currency, the Board of Governors of Federal Reserve System, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, the Federal Housing Finance Agency, and the Department of Housing and Urban Development in response to a September 20, 2013 Federal Register Notice requesting comments on the "Credit Risk Retention" Proposal Docket ID OCC-2013-0010, Federal Reserve Docket No. R-1411, FDIC RIN number 3064-AD74, SEC File Number S7-14-11, FHFA RIN number 2590-AA43, HUD RIN number 2501-AD53, Fed. Reg. Vol. 78, No. 183.

HAC is a national nonprofit organization that has supported affordable housing efforts in rural areas of the United States since 1971. With more than 40 years of experience developing affordable housing across rural America, the Housing Assistance Council is uniquely positioned to comment on the provision of rural affordable housing finance.

This proposed rule regarding the credit risk retention requirement of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) provides protections to shield consumers from abusive lending practices. This rule package modifies a previous proposed rule on the same subject. In addition to prescribing requirements for securitizers of asset backed securities, the proposed rule defines what constitutes a qualified residential mortgage (QRM). The rule adopts the Consumer Financial Protection Bureau's (CFPB) standards for qualified mortgage (QM) as being the same for Qualified Residential Mortgages. While the qualified mortgage standards relate to the borrower's ability to repay, the qualified residential mortgage standards govern the larger financial market. Specifically, the qualified residential mortgage requirements pertain to whether issuers (securitizers) of mortgage back securities must retain some of the credit risk. HAC is primarily interested in the impact of this rule on low- and moderate-income rural home buyers.

HAC generally supports these important protections within the Dodd-Frank law. While we applaud the changes that eliminate the onerous downpayment and repayment ability requirements of the previous proposal, we remain concerned about some of the specific components of qualified mortgages. HAC reiterates its concerns regarding the qualified mortgage standards as addressed in our comments to the CFPB of February 25, 2013 on the "Proposed Amendments to the Ability to Repay Standards (ATR) under the Truth in Lending Act," (Docket No. CFPB-2013-0002). We believe that low- and moderate- income borrowers may not be adequately protected under some provisions of the ATR Rule or by some of the proposed exemptions.

First, qualified mortgages may be made to borrowers with debt-to-income ratios of up to 43 percent. HAC believes a 43 percent debt-to-income ratio is not appropriate for low- to moderate-income borrowers. This may be reasonable for higher income borrowers, but for a low-income consumer, whose income -by definition- is 80 percent of area median income or less, there is often not sufficient residual income to cover other expenses. The rule should provide a lower ratio for these borrowers. HAC suggests a total debt ratio of 41 percent, the level used by the U.S. Department of Agriculture's Section 502 Single Family Housing loan programs, which are limited to low- and moderate-income borrowers.

HAC is also concerned about the suitability of mortgages that could expose low- to moderate-income borrowers to higher interest rates after the first five years. HAC believes that all qualified mortgages should be long-term, fixed interest rate loans.

HAC also reiterates its concerns regarding exemptions for small and rural creditors, also addressed in the aforementioned comment letter of February 25, 2013. Low- and moderate-income borrowers would not be adequately protected if the standards include "higher priced balloon payment loans," "loans held in portfolio by small creditors," (as in the CFPB proposed rule) and similar loans made by small creditors in rural or underserved areas (as in the CFPB final rule). While these loans may be suitable for some borrowers, they expose low- and moderate-income borrowers to unnecessary risk. Their higher costs and the greater possibility of increases in market interest rates may result in high payments for these borrowers who can least afford them. HAC continues to recommend these products not be considered qualified mortgages nor should they be considered as qualified residential mortgages.

The proposed rule included an alternative definition for a qualified residential mortgage that is even more stringent than the original proposal. HAC opposes implementation the alternative definition, as it would have an even more restrictive impact on low-and moderate-income borrowers than the original proposal.

HAC is pleased to have this opportunity to provide comments on the Credit Risk Retention proposed rule. Please do not hesitate to contact me if you need additional information or clarification of our comments.

Sincerely,

Moises Loza
Executive Director