



## Colorado Mortgage Lenders Association

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October 29, 2013

Office of the Comptroller of the Currency  
7th St, SW, Suite 3E-218  
Mail Stop 9W-11  
Washington, D.C. 20219  
Docket No. OCC-2013-0010

Board of Governors of the Federal Reserve 400  
20th St. and Constitution Ave, NW  
20th St. and Constitution Ave, NW  
Attn: Robert deV. Frierson, Secretary  
Docket No. R-1411

Federal Deposit Insurance Corporation  
550 17th St., NW  
Washington, D.C. 20429  
Attn: Robert E. Feldman, Exec. Secretary  
RIN 3064-AD74

Securities and Exchange Commission  
100 F St., NE  
Washington, D.C. 20549-1090  
Attn: Elizabeth M. Murphy, Secretary  
File Number S7-14-11

Federal Housing Finance Agency  
400 7th St., SW  
Washington, D.C. 20024  
Attn: Alfred M. Pollard, General Counsel  
RIN 2590-AA43

Department of Housing and Urban  
Development  
451 7th St., SW, Room 10276  
Washington, D.C. 20410-0500

### **Re: Credit Risk Retention Re-Proposal**

Dear Sirs and Madam:

The Colorado Mortgage Lenders Association is a 58 year old organization made up of over 135 companies employing in excess of 3000 individuals involved in the Mortgage Lending Industry in Colorado. Our membership is made up of Mortgage Bankers, Mortgage Brokers, Banks and Credit Unions located throughout the State. Our members originate the majority of residential real estate loans made in the State of Colorado.

We appreciate the opportunity to comment on the Credit Risk Retention Re-Proposed Rule issued jointly by your agency and the other federal banking, housing and securities regulatory agencies.

On August 28, 2013, the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (the Board), Federal Deposit Insurance Corporation (FDIC), Securities and Exchange Commission (SEC), Federal Housing Finance Agency (FHFA), and the Department of Housing and Urban Development (HUD) (collectively, the Agencies) jointly issued a notice of proposed rulemaking (the Proposal) to implement § 941 of the Dodd-Frank

Wall Street Reform and Consumer Protection Act (Dodd-Frank or the Act) regarding credit risk retention including the Qualified Residential Mortgage (QRM).

The Proposal is a re-proposal of a proposed rule issued in the spring of 2011 on this subject. We believe that the 2013 re-proposal represents a significant improvement from the original because it aligns the QRM definition with the QM standard finalized earlier this year by the CFPB.

- As the data demonstrate, the QM definition sets forth a rigorous standard for sustainable mortgage lending which we believe will result in more thorough consideration of the borrowers' ability to repay and will result in significantly lower delinquencies and defaults;
- Aligning the QRM and QM definitions will allow a greater number of borrowers to benefit from lower mortgage costs resulting from greater access to the private investor market, as well as safer and more sustainable loans. This is a very important benefit to first time homebuyers, low to moderate income borrowers and minority borrowers;
- Aligning the QRM definition with the QM standard will streamline the regulatory burden on an industry where the costs of regulation have become a great concern. This is of particular importance to the smaller independent, local, community based lenders who struggle to comply with an increasingly complex regulatory structure; and
- The respective legislative intent of QRM and QM are well satisfied by the Agencies adoption of the same definition.

Despite the improvements, we have several concerns with the re-proposal. In particular, we are deeply concerned with the Alternative QM-Plus Approach. This Alternative would require a loan qualifying for the QRM exemption to have a 30% down payment and subject the borrower to onerous credit history requirements. The following are just some of the arguments against the Alternative:

- The Alternative's inclusion of a down payment requirement is inconsistent with the legislative intent;
- The Alternative restricts too many consumers' access to the most affordable credit available, particularly first time homebuyers and low to moderate income homebuyers who are unlikely to have accumulated a 30% or greater down payment;
- The Alternative would exclude a greater number of minority borrowers from the most competitive loans than the Preferred Approach;
- The Alternative is unnecessary because the investor market can easily ascertain and price transparent credit attributes like loan-to-value ratio (LTV);
- The Alternative will raise costs to borrowers. We are concerned that this will be particularly damaging to those who can least afford it – first time homebuyers, low to moderate income

borrowers and minority borrowers. All consumers who do not qualify for QRM will pay higher prices for ever-scarcer private label credit; and

- The Alternative of a more restrictive QRM will increase Government and agency involvement in the mortgage market at a time when most agree that the Government's footprint and risk should be reduced.

In closing, we at the Colorado Mortgage Lenders Association thank you for the opportunity to comment on this most important rule. We urge you to adopt the final rule without the Alternative QM-Plus Approach which we believe will be particularly damaging to first time homebuyers, low to moderate income borrowers and minorities, not only in Colorado but throughout America.

Thank you for your consideration of our comments.

Cordially,

The Colorado Mortgage Lenders Association

By: T. K. Jones  
Co-Chairman, Legislative and Regulatory Affairs Committee  
Colorado Mortgage Lenders Association