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REALOGY

THE BUSINESS OF REAL ESTATE

RICHARD A. SMITH
President and Chief Executive Officer

March 9, 2011

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the
Federal Reserve System
20th & Constitution Avenue, NW
Washington, DC 20551

The Honorable Mary L. Schapiro
Chairman
Securities and Exchange Commission
100 F. Street, NE
Washington, DC 20549

The Honorable Shaun L. S. Donovan
Secretary
United States Department of
Housing & Urban Development
451 7th Street, SW
Washington, DC 20410

Mr. John E. Bowman
Acting Director
Office of Thrift Supervision
1700 G. Street, NW
Washington, DC 20552

The Honorable Sheila Bair
Chairman
Federal Deposit Insurance Corp.
550 17th Street, NW
Washington, DC 20429

Mr. Edward J. DeMarco
Acting Director
Federal Housing Finance Agency
1700 G. Street, NW
Washington, DC 20552

The Honorable Timothy F. Geithner
Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Mr. John G. Walsh
Acting Comptroller
Office of the Comptroller of the Currency
250 E. Street, SW
Washington, DC 20219

RE: Qualified Residential Mortgage

Ladies and Gentlemen:

Realogy Corporation is a global provider of real estate and relocation services, and our world-renowned brands and business units include Better Homes and Gardens® Real Estate, CENTURY 21®, Coldwell Banker®, Coldwell Banker Commercial®, The Corcoran Group®, ERA®, and Sotheby's International Realty®. Collectively, Realogy's franchise systems have approximately 14,700 offices and 264,000 sales associates doing business in 100 countries and territories around the world. Given our size and scale we are often asked to offer our views on the state of the housing industry. Our grass roots level view of the 50 states and 100 countries in which we operate offers a unique perspective that is based on actual sales data as opposed to theoretical survey data.

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Housing is in a fragile state of recovery and although we are more optimistic than we have been in more than six years, there are concerns on the horizon that could easily derail a full recovery. In particular the forthcoming credit risk retention rules that are required under Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 are of great concern to us. The to-be-determined definition of the term "Qualified Residential Mortgage" (QRM) has far reaching implications.

As we understand it a 20% down payment rate is being contemplated as one requirement to meet the QRM definition. Anything less would require the lender to retain 5% of the face value of the non-qualifying mortgage on the lender's balance sheet. First, the down payment focus is misplaced, as that was never the intent of the authors of the original bill. Proper underwriting is far more relevant as a requisite for the purpose of managing risk. A well underwritten loan coupled with a reasonable down payment tied to the underwriting and FICO score is more relevant to good risk management. Higher FICO scores could warrant a lower down payment. The narrow focus on the down payment percentage is arbitrary and has no direct correlation with good underwriting, at least not as it pertains to the QRM definition. We strongly encourage a definition that focuses on thorough underwriting and a reasonable down payment, one that could adjust up or down based on the underwriting and FICO score. At the very minimum such a regulatory action will prospectively limit mortgage products to those that minimize the balance sheet impact, which in all likelihood will curtail if not end the 30 year mortgage product. Arbitrarily defining QRM as a 20% down payment would most likely stall the housing recovery and perhaps reverse its course entirely.

Aside from the narrow QRM definition and the prospective negative influence on the housing recovery, we are equally concerned that by its very nature the definition will reduce and limit competition. Small- to medium-sized mortgage lenders will find it most difficult to burden their balance sheets with the 5% retention value. We believe the enormous commitment of capital will push many otherwise highly qualified and well-managed lenders out of the business, thereby limiting competition and prospectively raising costs to low- and middle-income borrowers. Limiting competition in the mortgage lending business would be a highly undesirable outcome.

We strongly encourage a QRM definition that broadens options to low- and middle-income borrowers, increases competition and thus reduces borrowing costs to the average American homebuyer.

As always we are available as a resource to you as you contemplate these substantial housing-related issues. We are available at your convenience.

Sincerely yours,

Richard A. Smith