NASA FEDERAL CREDIT UNION
www.nasafcu.com

July 26, 2011

Credit Risk Retention
Office of the Comptroller of the Currency
250 E. Street SW – Mail Stop 2-3
Washington, DC 20219

RE: Qualified Residential Mortgage Rule – 5% Risk Retention Exemption

On behalf of NASA Federal Credit Union, we are pleased to have this opportunity to comment on the proposed Qualified Residential Mortgage (QRM) rules implementing the credit risk retention provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Encouraging better understanding and instilling a sense of obligation as to the quality of loans in securitizations are goals we appreciate and respect. However, we are opposed to the QRM rules as proposed, given the concerns outlined below and harm they will ultimately do to the communities served by America's credit unions.

Credit unions have always put the interests of our members first, consistently applying commonsense underwriting while achieving a record of superior loan portfolio performance. Because we approach this issue with a degree of credibility unmatched by other institutions, it is our firmly held position that the proposed QRM rules are unnecessarily narrow and will ultimately serve to penalize those very institutions which, during the height of abusive lending practices and lax underwriting, stayed true to the objectives Dodd-Frank is attempting to legislate.

Although we hold mortgages in portfolio, sell mortgages that are ultimately purchased by the GSEs, or sell to other investors, the QRM rules as currently proposed raise troubling future prospects for credit unions and our members.

Despite the demonstrated ability of credit unions to originate high loan-to-value (LTV) loans in a safe and responsible manner, the proposed QRM rules could force our credit union to rely on a select group of large banks with sufficient resources to hold the capital associated with non-QRM-compliant mortgages. The expense of this capital charge will certainly be passed on to the credit unions and ultimately our members, undoubtedly at a price far in excess of the actual economic cost. The market power these rules grant to a few large financial institutions raises equally disturbing issues of unfair advantage and potential opportunities for price manipulation.

The other troubling facet of the QRM, compounded by the narrowly drawn rules, is the exemption of FHA-insured mortgages. With the rules as drafted, once the GSEs are restructured, FHA immediately becomes a favored channel for any mortgage loan in excess of 80%. Given the more complex origination and servicing requirements, and limited pricing benefit for borrowers making larger down payments or having standard credit profiles, credit unions have not traditionally built a significant FHA lending capacity.

The typical credit union member is best served by having a competitive choice of utilizing a conventional loan with mortgage insurance (MI) or an FHA-insured loan, with reasonably associated pricing. Given the dominance of a select group of institutions in aggregating and servicing FHA loans, the proposed QRM rules once again set the stage for surrendering greater control of residential lending to an exclusive group, to the disadvantage of credit unions and our members.

It is undeniable that the historical strength of credit unions' risk management practices and responsible approach to high-LTV lending support a QRM rule that is more broadly drawn and cognizant of lending realities. Careful review of credit union practices during the boom years reveal the industry's superior loan performance due to conscientious adherence to underwriting standards and commitment to the members' best interest.

In developing the ultimate QRM rules, consumer interests as well as the long-term health of the residential real estate markets are at stake. Our credit union asks that you revisit the current proposed rules and consider them in the light of our comments. It is critical that the QRM rules foster a fair playing field among all financial institutions and programs, avoiding inappropriate advantage such as that which the proposal extends to FHA, to the exclusion of other proven structures and to the ultimate detriment of consumers. Properly defined and implemented, QRM rules will benefit the American housing market for years to come. At this crucial time in our nation's economic recovery, it's important that the rules governing risk retention stand the test of time, irrespective of the current state of the capital markets or the fate of the GSEs.

Sincerely,

Douglas M. Allman
President
NASA Federal Credit Union