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Honorable Ben S. Bernanke Chairman Board of Governors of the Federal Reserve System Washington, DC 20551	Honorable Sheila C. Bair Chairman Federal Deposit Insurance Corporation Washington, DC 20429
Mr. Edward J. DeMarco Acting Director Federal Housing Finance Agency Washington, DC 20552	Honorable Mary L. Shapiro Chairman Securities and Exchange Commission Washington, DC 20549
Honorable Shaun Donovan Secretary Department of Housing & Urban Development Washington, DC 20410	Mr. John G. Walsh Acting Comptroller Office of the Comptroller of the Currency Washington, DC 20219

Re: Credit Risk Retention Proposed Rule
Transmitted electronically to: regs.comments@federalreserve.gov, Docket No. R-1411
regs.comments@occ.treas.gov , Docket No. OCC-2010-0002
Comments@FDIC.gov , RIN 3064-AD74
rule-comments@sec.gov , File No. S7-14-11.
RegComments@fhfa.gov , RIN 2590-AA43
submitted through www.regulations.gov, Docket No. FR–5504–P–01

Dear Ladies and Gentlemen;

The Metropolitan Consortium of Community Developers is a membership organization representing 47 community developers working in the Minneapolis-St. Paul Metropolitan area. Our members work with low-and moderate-income consumers; providing pre-purchase classes and counseling, helping families become mortgage credit worthy, and building affordable homes. We appreciate your efforts to develop the proposed rule implementing the Risk Retention and Qualified Residential Mortgage (QRM) provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank).

First, we would like to applaud the portion of the proposed rule that would prohibit negative amortizations, balloons, excessive payment shocks, terms longer than 30 years, or prepayment penalties. These prohibitions will go a long way toward preventing the kinds of irresponsible and detrimental lending practices that led to the foreclosure crisis. In fact, the Federal Housing Finance Administration concludes that this is the QRM requirement that has the largest impact of reducing delinquencies.

However, we urge you to significantly alter your proposed Qualified Residential Mortgage (QRM) rule in other areas in order to preserve homeownership as a realistic option for moderate- and middle-income Americans. The areas where we have concern are:

- 20% down payment or loan to value ratio of 80% required.
- 25% - 30% equity required for mortgage refinancing.
- Maximum debt to income ratios of 28% on the front-end and 36% on the back-end.

The area of most significant concern for our organization is the proposed down payment requirement of 20 percent. Many industry professionals have already voiced their concern that this requirement will prevent millions of Americans who could otherwise purchase a home from getting into the market, and will further inhibit the foreclosure recovery. Further, when CoreLogic analyzed this requirement, they concluded that boosting down payments would only have a negligible impact on default rates, but would significantly reduce the pool of borrowers who would qualify. Our members specifically serve low-and moderate-income Minnesotans, who often will have insurmountable difficulties coming up with 20 percent down payments for moderately priced homes. Our members have been serving consumers in the Minneapolis and St. Paul area for nearly 40 years. Based on this experience, it is their belief that few, if any, of their residents served over the prior 40 years would have been able to purchase a home if these regulations were in effect. In the Minneapolis and St. Paul area, the average home sales price in June 2011 was $207,940 (Minneapolis Area Association of Realtors June 2011 Monthly Indicators). To purchase a home at this price under the proposed rules, a household would have to make a down payment of $41,588. The median household income in the same area is only $65,101. Saving for such a large down payment is estimated to take Americans on average 14 years according to The Housing Partnership, and will further slow the housing recovery.

MCCD members are additionally concerned about the 20 down payment requirement because of its potential to further exacerbate income inequalities and prevent more minority households from owning a home. Many of our members work to ensure that these emerging markets are able to transition to home ownership, and build equity and household wealth. Requiring such a high down payment will only ensure that more minority households are barred from home ownership because, on average, minority households' median income is lower and it will take them additional time to save for the proposed down payment. In the Minneapolis-St. Paul Metropolitan Area, Black or African American households' median income is $29,517, American Indian households is $43,279 and Hispanic households is $41,713. Such a hefty down payment requirement will reduce the options for minority first-time home buyers by locking them out of all but the government insured mortgage market and will serve to increase wealth inequality.

In addition to concerns about the 20 percent down payment requirement in the proposed QRM, our members operate a number of successful programs that could be harmed by the prohibitions of certain types of down payment assistance such as: deferred loans, soft seconds, down payment assistance, and the failure to recognize land trust investments. The proposed language is unclear in many regards to whether it would prohibit all of the above listed types of down payment assistance, and we urge the Federal Reserve to clarify their language in this regard and consider these types of assistance to be within the QRM definition. We have members who have successfully been helping low and moderate income families move into home ownership, and many of the listed types of down payment assistance has been integral to their land trust models and have enabled low and moderate income families to purchase homes. These tools, when used as part of the land trust model, have proven to have a very low foreclosure rate. In Minnesota, land trust homeowners have one thirtieth the risk of foreclosure compared to traditional homeowners. Therefore, with little evidence that prohibition of such tools would serve to prevent foreclosures, we urge the Federal Reserve to consider removing this prohibition in the QRM definition.

As we stated above, we also have concerns about the portions of the QRM definition that include a 25 - 30 percent equity required for mortgage refinancing, maximum debt to income ratios of 28 percent on the front-end and 36 percent on the back-end and the lack of credit score as part of the qualification. Coupled with the 20 percent down payment requirement, the above restrictions will severely reduce the number of people who are able to qualify for a mortgage under the QRM. These people will either need to avail themselves of the federal mortgage programs or will need to access a mortgage outside of the QRM definition. The Federal government has made every indication that they intend to decrease their presence in the mortgage market. This means that the majority of the low-and moderate-income households that our members serve will, under the proposed QRM rules, be forced to obtain a mortgage outside of the QRM. Many banking institutions have indicated that those mortgages offered outside of the QRM will be more costly. This, in practice, means that those who can least afford it will be forced to pay the most when they get a mortgage. This will make more families choose not to purchase a home, or will simply make home ownership less beneficial for families who do choose home ownership. Either choice will have negative consequences on the recovering housing market and will negatively impact emerging markets and minority home buyers.

We therefore urge the Federal Reserve to consider revising the QRM with a lower down payment requirement of 3.5 to 5 percent as is consistent with the current FHA mortgage requirements and conventional mortgage requirements. We also urge the Federal Reserve to consider eliminating the maximum debt to income ratios of 28 percent on the front-end and 36 percent on the back-end.

Thank you for your consideration of our comments.

Jim Roth
Executive Director
Metropolitan Consortium of Community Developers

cc:
Honorable Timothy F. Geithner
Secretary
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