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August 1, 2011

Mr. John Walsh Acting Comptroller of the Currency Office of the Comptroller of the Currency
250 E Street SW Washington, DC 20219
Regs.comments@occ.treas.gov
Comments on Proposed Rule: Credit Risk Retention, Docket ID: OCC-2010-0002

The Honorable Ben S. Bernanke Chairman Board of Governors of the Federal Reserve
20th Street and Constitution Avenue NW Washington, DC 20551
Regs.comments@federalreserve.org
Comments on Proposed Rule: Credit Risk Retention, Docket No. R-1411

Mr. Martin Gruenberg Acting Director Federal Deposit Insurance Corporation
550 17th Street NW Washington, DC 20429
comments@fdic.gov
Comments on Proposed Rule: Credit Risk Retention, RIN 3064-AD74

The Honorable Mary Schapiro Chairman Securities and Exchange Commission
100 F Street NE Washington, DC 20549
rule-comments@sec.gov
Comments on Proposed Rule: Credit Risk Retention, File Number S7-14-11

Mr. Edward DeMarco Acting Director Federal Housing Finance Agency
1700 G Street NW, 4th Floor Washington, DC 20552
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Comments on Proposed Rule: Credit Risk Retention, RIN 2590-AA43

The Honorable Shaun Donovan Secretary Department of Housing and Urban Development
Regulations Division, Office of General Counsel 451 7th Street SW, Room 10276 Washington, DC 20410
Submitted via www.regulations.gov

Ladies and Gentleman:

It is an honor to submit my comments and recommendations regarding this vital matter. As Chairman of the Board of Kemdy Inc., over the past 25 years, I have owned and managed major residential properties as well as worked as a mortgage broker and mortgage service professional. My personal passion has always been to position my companies to play a proactive role in the industry, and we have now positioned ourselves to providing cutting edge advisory and mortgage portfolio analysis services to mid-size investors and originators of mortgage portfolios.

About Kemdy

Kemdy provides specialized financial information services to financial companies and government agencies. For our government clients, these services include data analysis and collection, applied research, risk measurement and monitoring, and publishing databases of financial instruments and companies. Kemdy provides due diligence, risk analysis, and portfolio auditing for banks, mortgage originators, credit unions, housing agencies and mortgage investors. Additionally, Kemdy provides quality control and compliance consulting for mortgage banking companies.

Background

We can all agree that the Dodd-Frank act was the most significant form of financial legislation in decades. Beyond the myriad of technical issues addressed in the legislation, I would like to first call attention to the first line of the act, which gets to the bottom line of the Herculean effort by the legislative, executive and regulatory branches of federal government:

"To promote financial stability of the United States by improving accountability and transparency in the financial system…"

The credit retention rule obviously has many proponents and opponents with vested interests on how they conduct operations within the newly proposed standards of deal structuring, however the most important aspect of the rules long term structure are the aspects of defining exactly the amount of transparency and accountability associated to mortgage securitization.

<u>Comments on Proposed Recommendations</u>

EFFICIENCY: On behalf of my company, I would like to urge the Commission and associated agencies to utilize the newfound office of the Financial Oversight Council to leverage the new Office of Financial Research to not necessarily establish strict rules and regulations associated to every aspect of the securitization process as well as specific lending standards, but to focus instead on transparency.

PROTECTIN OF COMPETITION: The free market and private interests must determine the minimum standards of loan viability, and private investors have the right to take on as much risk as they choose when it comes to accepting mortgages from buyers with particular characteristics.

THE VALUE OF DATA: As long as investors can rely on specific information of the mortgage assets within the pool they are evaluating, their own risk reward standards can be adopted according to the credit profiles and performance that their internal processes seek out. Utilizing the information sharing mandate of Dodd-Frank and the office of Financial Research to promote and facilitate transparency is the most logical form of enforcing transparency on a regulatory level, allowing both the regulating agencies to monitor industry activity and allowing the investors, services and sponsors to evaluate their own process of making informed business decisions.

RISK RETENTION: As my organization has no particular vested interest in the 5% risk retention rule, we will abstain from issuing a specific recommendation for or against the rule, however, I have a strong professional opinion on the specific language and definition of Qualified Residential Mortgage's, which will obviously be sought by many securitization sponsors upon this rules potential adoption, as many mortgage pool originators will seek to be exempt from the 5% rule.

TRANSPARENCY: The most important aspect of creating better lending standards is transparency and accountability, as stated in the first line of the Dodd-Frank Act referenced above. I strongly believe that uniformity within transparency and reporting will solve a myriad of problems far more effectively than hyper-regulation. As reporting standards become adopted as required by Dodd-Frank, private interests will make better decisions with more due diligence, adjusting their business models to accommodate the risk analysis provided by this new standard of data integration and reporting.

There will be no organization or individual that seeks to limit transparency of securitization transactions, and the Office of Financial Research has an extraordinary opportunity to meet its mandate of:

<u>(Dodd Frank Sec. 153)</u>

-collecting data on behalf of the Council, and providing such data to the Council and member agencies;

-standardizing the types and formats of data reported and collected

-performing applied research and essential long term research

-developing tools for risk measurement and monitoring

-performing other services

-MAKING THE RESULTS OF ACTIVITIES OF THE OFFICE AVAILABLE TO FINANCIAL REGULATORY AGENCIES

-ASSISTING SUCH MEMBER AGENCIES IN DETERMINING THE TYPES AND FORMATS OF DATA AUTHORIZED BY THIS ACT TO BE COLLECTED BY SUCH MEMBER AGENCIES

BUREAUCRATIC LIMITATIONS: From a realistic standpoint, we must all remember that the proposed rules will require an unprecedented level of administrative and specialized staff to be hired by the SEC especially and all other agencies. The bottom line is that the budgetary constraints will restrict the ability of implementing many of the rules and regulations that are being aggressively discussed and formulated. The agencies must confront this reality within their decisions on what rules to be adopted because, to put in layman's terms "there is more than one way to skin a cat".

The SEC has already announced the delay of opening the office of Minority and Woman Inclusion because of budget constraints, which is writing on the wall that although many rules and regulations will be adopted, many will never be enforced or implemented. It is for this specific reason that I urge the agency to utilize the advanced technology available to government agencies to focus on implementing Section 153 of Dodd-Frank in order to create a more competitive and responsible environment, as it is very efficient and does not stifle the positive creative process.

DEFINING QUALIFIED RESIDENTIAL MORTGAGES: I strongly support the adoption of uniform standards for defining QUALIFIED RESIDENTIAL MORTGAGE's, however the criteria established are very narrow and should not be expected to be adopted by industry as acceptable. In reality, LTV, ability to repay, and credit history will determine loan viability.

Proposed Rule Language: As is typical in the industry samples are taken to measure the risk matrix of a large portfolio, my recommendation is that the Office of Financial Research approve a standardized ***<u>audit process</u>*** whereby large loan portfolio becomes accredited and or qualified after the originator, investor, and insurer can have a complete picture of each actual mortgage within a sufficient manner.

Effects of Proposed Language: By mandating individual portfolio loan audits, each market player will be more in tune with mortgage risk and the information will be transparent for both regulators and investors to evaluate. Nothing will be hidden and have the potential to derail the system.

<u>Conclusion</u>:
Information will be the most empowering facet of the new paradigm in asset backed securitization and mortgage regulation. Each state of the business process will be emboldened by stronger and reliable data, and the associated agencies must not attempt to overregulate, especially when they will never realistically have the manpower to do so effectively. Priorities must be established, and the commission should make the priority to use current resources available to meet the *intended purpose* of new mandates, not simply to continue the rulemaking process in a vacuum

We strongly urge you to focus on data collection amongst the agencies and reporting standards within industry, this will allow investors to take the risks that they seek, and not limit any specific sector from the dream of home ownership, as many have already commented that the specific rules are very narrow and restrictive towards economically challenged communities.

Our nation is very young, and quickly adopting strict standards with specific risk retention metrics MUST not impede upon the larger goal that is stated in the first line of the very act which has begun this entire rule making process:
" **improving accountability and transparency in the financial system…"**

With Highest Regards,
Kenneth M. Dwyer
Chairman of the Board
Kemdy, Inc.