Credit Union Association
New York

October 30, 2013

Legislative & Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th St, SW
Washington, DC 20219

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F St, NE
Washington, DC 20549

Robert deV. Frierson, Secretary
Board of Governors,
Federal Reserve System
20th St and Constitution Ave, NW
Washington, DC 20245

Alfred M. Pollard, General Counsel
Federal Housing Finance Agency
400 7th St, SW
Washington, DC 20024

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th St, NW
Washington, DC 20429

Regulations, Office of General Counsel
Dept. of Housing & Urban Development
451 7th St, SW
Washington, DC 20410

Dear Sirs and Madam:

On behalf of the Credit Union Association of New York, I would like to take this opportunity to comment on the joint agency proposed rule implementing Section 15G of the Dodd-Frank Act, which requires that the agencies overseeing originators and securitizers of residential mortgage-backed securities (RMBS) promulgate a definition of qualified residential mortgages for sale to the secondary market that is no more expansive than the CFPB's definition of a qualified mortgage. The Association is generally very supportive of the proposal to adopt the CFPB's QM definition and, for the reasons that follow, I am simply writing this letter to urge the agencies not to adopt a "QM plus" in the alternative.

Even though the vast majority of credit unions are not large enough to create RMBS, this proposal could potentially have important, indirect consequences for credit union lending standards. Even without changes to Fannie Mae or Freddie Mac, in less than a decade from now, mortgages eligible for sale to GSEs will no longer automatically be QM mortgages. Given the importance of secondary market sale availability to credit unions, the standards promulgated pursuant to this regulation could become the de facto lending standard for all mortgage originators. Against this backdrop, it is absolutely crucial that the QRM standard ultimately adopted does not result in a two-tiered system where larger institutions have access to cheaper origination costs by virtue of their access to the secondary market than do credit unions that are generally smaller.

The Association strongly supports the proposal to simply adopt the CFPB's QM standard as the QRM standard. This approach:

- conforms to the statutory requirements,
- makes compliance easier by avoiding competing requirements for the same product; and
- ensures that credit unions are offering the same type of loans that are eligible for securitization as all other lending institutions that wish to sell loans to the secondary market.

In contrast, the same cannot be said for QM Plus, the alternative proposal. Under this approach, the core QM criteria would be augmented with (among other things) stringent credit history requirements, less flexibility for higher-priced QMs, and even more stringent loan-to-value limits.

Question 98 in the preamble asks: Would the QM-plus approach have greater costs, for example in decreased access to mortgage credit, higher priced credit, or increased regulatory burden? The answer is a resounding yes.

Most importantly, the type of stringent requirements outlined under this proposal would have a disproportional impact on low- to medium-income mortgage applicants, who can meet QM standards but would still face higher borrowing costs. For example, because these borrowers could likely only obtain mortgages from institutions willing to retain their loans in portfolio or from originators selling to private label securitizers subject to the 5-percent risk retention requirement, their mortgage costs will be higher than those for a borrower whose loan is saleable to the secondary market for QMs. If secondary market standards draw too sharp of a distinction between QMs and QRMs, the housing market will inevitably become even more split between high-income borrowers who receive cheaper housing products and lower-income borrowers who do not.

Fortunately, this can be avoided if the agencies ultimately adopt the standards already established by the CFPB. If this is done, this regulation will be a vast improvement over the original regulation proposed to comply with Dodd-Frank.

Sincerely,

William Mellin
President/CEO
Credit Union Association of New York