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National Urban League
Celebrating 100 years

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VIA UNITED STATES CERTIFIED MAIL

June 1, 2011

Honorable Timothy Geithner
Secretary, U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Honorable Ben S. Bernanke
Chairman, Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, DC 20551

Honorable Shaun Donovan
Secretary, U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Honorable John Walsh
Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

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

Edward DeMarco
Acting Director, Federal Housing Finance Agency
1700 G Street, NW, 4th Floor
Washington, DC 20552

Ladies and Gentlemen:

As a 100 year old Historic Civil Rights Organization, the National Urban League has prepared communities for homeownership through our housing counseling programs for nearly 50 years. We are also active as a leading voice for housing and economic policy on Capitol Hill, as well as in State Capitals, City Halls across the Nation.

I am EMPOWERED
I AM THE NATIONAL URBAN LEAGUE

We write to offer commentary on the proposed Qualified Residential Mortgage (QRM) Rule as follows:

As the federal government pushes to unwind its unprecedented – yet vitally important – involvement in the housing market, The National Urban League is gravely concerned that proposed fundamental changes mandated under the Dodd-Frank Wall Street Reform and Consumer Protection Act will slash the availability of long-term mortgages with fixed interest rates for responsible borrowers of moderate means.

Accordingly, the QRM Rule offered by the six agencies charged with developing risk retention regulations under the Dodd Frank Wall Street Reform Act is bad policy, and should be rejected.

The fundamental charge of the Dodd-Frank statute was to settle on a set of loan characteristics that would differentiate a low-risk mortgage from one that is considered to carry higher risk.

The National Urban League agrees that the establishment of QRM criteria is an important component in the overhaul and strengthening of the nation's housing finance system.

However, a significant number of healthy borrowers in today's marketplace would be needlessly sidelined by a system that requires a prospective borrower to present a 20% down payment, spend less than 28% of the borrower's monthly gross income on housing costs, and to have total monthly household debt capped at less than 36%.

When coupled with an additional requirement of near-pristine personal credit standards, these proposed QRM requirements could make for a marketplace where the 30 year fixed mortgage is no longer the standard-bearer for residential lending, and a host of oppressive fees precipitated by a spontaneously created class of newly-designated 'high risk' borrowers, formerly known as the responsible middle-class borrower, takes its place.

The facts are quite clear.

There is a wealth of empirical evidence that shows that responsible lending standards and ensuring a borrower's ability to repay a mortgage loan has the greatest impact on reducing lender risk. Adding high minimum down payment requirements will only exclude hundreds of thousands of consumers – including legions of minority renters – from homeownership, despite their creditworthiness and proven ability to afford the monthly payment.

Many of these are communities of color – African Americans, Latinos, Asian Americans, Native Americans – that represent the fastest growing segment of future potential homeowners.

Thus, a Rule that stifles homeownership for communities of color will also negatively suppress the entire housing industry – realtors, builders, retailers, suppliers, and many others. The proposed QRM is anti-jobs, anti-growth, and in absolute contravention of the American Dream.

The future of housing finance in America demands a critical balance between the interests of the borrower, the lender, and the investor. A system that foregoes the welfare and vitality of the potential homeowner, especially those borrowers with high creditworthiness and income sustainability, despite having more moderate financial means, chips away at the very essence of what makes the opportunity of homeownership in America so special.

The American family home, by definition, reflects much more than mere property. It represents the ability to build wealth for all those with a stable income and a demonstrated history of financial responsibility. It represents the foundation of the family and the surrounding community. It represents the collective promise of the chance to build prosperity that lasts through generations.

The National Urban League believes this promise must be reaffirmed and protected in whatever form the new housing finance model ultimately takes.

As officials contemplate a new set of mortgage finance rules – as well as consider the public purposes that the housing finance system should serve – we hope our initial observations and recommendations offer a useful framework to evaluate the various rule-making proposals currently under review.

We urge you to withdraw the QRM rule, and start over. We as a Nation must do better.

Sincerely,

Marc H. Morial
President and Chief Executive Officer
National Urban League