October 30, 2013

Department of the Treasury
Office of the Comptroller of the Currency
12 CFR Part 43
Docket No. OCC-2013-0010
RIN 1557-AD40

Federal Reserve System
12 CFR Part 244
Docket No. R-1411
RIN 7100—AD70

Federal Deposit Insurance Corporation
12 CFR 373
RIN 3064-AD74

Federal Housing Finance Agency
12 CFR 1234
RIN 2590-AK96

Securities and Exchange Commission
17 CFR Part 246
Release Nos. ____________
RIN 3235-AK96

Department of Housing and Urban Development
24 CFR Part 267
RIN 2501-AD53

Re: Re-proposed Rule on Credit Risk Retention

Dear Sir/Madam:

The undersigned organizations of local elected officials and affordable housing and community development practitioners appreciate the opportunity to provide comments on the re-proposed rule regarding "Credit Risk Retention," issued on August 29, 2013. The re-prosed rule conforms the definition of "qualified residential mortgage" to the definition of "qualified mortgage" as defined by the Consumer Financial Protection Bureau in January 2013. The re-proposed rule eliminated the original 20% down payment requirement and raised the debt-to-income ratio to 43%.

We find this change to be responsive to our recommendations made in a June 9, 2011 comment letter to each of the agencies named above.

As we noted in our 2011 letter, city and county governments, as well as states, have long engaged in providing assistance for home buyers, primarily first-time homebuyers, using a variety of programs including tax-exempt Mortgage Revenue Bonds, Mortgage Credit Certificates and/or Down Payment Assistance programs for income-restricted homebuyers. The latter are typically funded through such federal block grant programs as Community Development Block Grants (CDBG), HOME Investment Partnership Grants (HOME) or through bonds sold at a premium where down payment assistance is included in the structure of the bonds. These loans have performed very well over the course of their existence.

As we further pointed out in our 2011 letter, we did not support the proposed rule's restrictions on what constitutes a "qualified residential mortgage (QRM)," which, if left unchanged, will have a serious adverse impact on first-time homebuyers, minorities and low-and-moderate income households. The requirements for a minimum down payment of 20% and maximum front-end and back-end debt-to-income ratios of 28 percent and 36 percent respectively and loan-to-value ratios of 80 percent are overly burdensome for these potential homebuyers. According to data compiled by the Federal Housing Finance Agency, without the loan-to-value and debt-to-income restrictions proposed in the rule, there would be up to a 24 percent increase in qualifying loans without the DTI restriction with only a relatively small increase in delinquencies. Thus, these restrictions do not significantly decrease risk, but would exclude a large number of households wanting to purchase homes. They should be modified to a single total debt-to-income ratio of 41 percent currently used by the Veteran's Administration. This is a mortgage principal that should have been implemented long ago. The VA DTI calculation is based on the "net residual" income which is far more practical than the "gross income" approach which doesn't recognize the impact of state taxes or other material expenses. The VA calculation even takes into account child care expenses which can be material and are always meaningful.

Thank you for your favorable response to our recommendations.

Sincerely,

National Association of Local Housing Finance Agencies
National Association for County Community and Economic Development
National Association of Counties
U.S. Conference of Mayors
National Community Development Association
Council of State Community Development Agencies