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June 7, 2011

Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE.
Washington, DC 20549-1090

RE: 17 CFR Part 246
Release Nos.; File No. S7-14-11
RIN 3235-AK96 (Credit Risk Retention)

Dear Ms. Murphy,

CMBA believes the consumer's entire credit profile should be considered rather than any deficient credit risk on a standalone basis. CMBA also believes there is a need for national servicing standards; however this should be address separately outside of the QRM proposal.

The law also states the definition of QRM cannot be broader than the definition that must be established for "qualified mortgages" for Truth in Lending Act compliance. This aspect of the QRM definition is very limiting because the "Qualified Mortgage" definition includes a requirement that points and fees not exceed three percent.

Considering the enormous potential impact of these regulations on the availability of mortgage credit, and therefore affordability of homeownership for generations to come, and the short time allotted by Dodd-Frank for developing the rule, MBA and CMBA believe the following considerations should serve as the framework for risk retention requirements.

1. The potential impact on the availability of credit stemming from the risk retention requirements cannot be overestimated. In particular, the design of the QRM and the "Qualified Mortgage" (QM) under the "ability to repay" provisions of Title XIV of Dodd-Frank will largely govern who can and cannot achieve homeownership for years to come. Few loans to ordinary customers are likely to be made outside the QRM construct; the loans that are made will be costlier and likely to be made only to more affluent customers.

2. While the rules should not condone risky lending practices, unnecessarily constraining the mortgage market will not only deny homeownership to many qualified persons, it will further depress the housing market and threaten the economic recovery.

3. Because mortgage underwriting is an art and not a science, lenders should retain discretion within acceptable parameters to ensure that qualified borrowers are not unduly denied credit for sustainable mortgage products. In particular, the QRM should be defined using flexible guidelines, rather than

specific parameters, in order to preserve lenders' ability to adapt to borrowers' needs including regional and other demographic nuances.

4. To the extent such metrics are included in the risk retention requirements, they should be clear and the choice of particular metrics should be supported by empirical data that correlate them to a reduced risk of default.

5. Regulators should synchronize the QRM definition for risk retention purposes, and the QM definition for the purposes of the "ability to pay" safe harbor of Title XIV of Dodd-Frank.

6. Regulators should be mindful of the Federal Housing Administration's (FHA) exemption from risk retention requirements. Unless the QRM definition and other risk retention requirements are calibrated properly, there is a danger that the FHA program could be over-utilized.

7. California represents approximately $2.5 Trillion of the $11 Trillion mortgage market. This market is extremely vast and complex and accounts for 1 out of every 4 dollars that are loaned out to consumers for mortgages. The average Debt to Income Ratio (DTI) in California is generally higher than the rest of the United States due to the relatively higher costs of housing. The current DTI proposed by the FDIC is lower than what would be considered normal in the California market. This will result in a more restrictive secondary market thus reducing the access to affordable credit for the average borrower in California. Consideration should be made for differentiating markets across the United States instead of a "one size fits all" rule. Considering California is such a large market this must be taken into account.

Sincerely,

Buck Hawkins, Castle & Cooke Mortgage
Residential President
California Mortgage Bankers Association