



Our Neighborhood. Our Home. Our Future.
**NEIGHBORHOOD HOUSING SERVICES
OF NEW YORK CITY, INC.**
307 West 36th Street • 12th Floor • New York, NY 10018

Tel 212.519.2500
Fax 212.727.8171
www.nhsnyc.org

October 30, 2013

Legislation and Regulatory Affairs Division
Office of the Comptroller of the Currency
400 7th Street, SW
Suite 3E-218, Mail Stop 9W-11
Washington, DC 20219
Docket Number OCC-2013-0010

Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Docket No. R-1411
RIN 7100-AD70

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
RIN 3064-AD74

Elizabeth M. Murphy
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
File Number S7-14-11

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA43
Federal Housing Finance Agency
Constitution Center (OGC) 8th Floor
400 7th Street, SW
Washington, DC 20024
12 CFR Part 1234
RIN 2590-AA43

Regulations Division
Office of General Counsel
Department of Housing and Urban
Development
451 7th Street, SW, Room 10276
Washington, DC 20410 -0500
RIN 3064-AD74

Re: Credit Risk Retention

Ladies and Gentlemen:

Neighborhood Housing Services of New York City, Inc. (NHSNYC) is pleased to have this opportunity to comment on proposed rules for risk retention under Section 941 of the Dodd-Frank Act released by six regulatory Agencies (the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission, the Federal Housing Finance Agency and the U.S. Department of Housing and Urban Development) on August 22, 2013, with a comment period ending on October 30, 2013. In this comment letter, we focus on only one aspect of the proposal, the Qualified Residential Mortgage (QRM) definition for residential mortgage backed securities.

Main Points



NHSNYC has been a proponent for changes that result in transparency and fairness for all parties involved in the mortgage process. NHSNYC generally supports the concept of the re-proposed rule's primary recommendation to incorporate the Qualified Mortgage (QM) standard to define the Qualified Residential Mortgage (QRM). We believe that the current approach achieves the objectives of protecting the marketplace. We nevertheless question whether our constituency will have access to safe mortgages. We are concerned about the disparity that may arise amongst the various types of borrowers under both the QM and QRM standards.

NHSNYC absolutely opposes the alternative "QM-Plus" approach in the proposed rule, which would require borrowers to make a 30 percent down payment to obtain a QRM loan. Such a restriction along with unduly difficult credit standards will restrict access to mortgage credit for far too many creditworthy borrowers.

The QM rule as created by the CFPB was created after substantial due diligence and study of the mortgage market. We at NHSNYC; however, are concerned that the implementation of both the QM and QRM may have unintended consequences as the rules are put into effect starting January 2014. We are already hearing from many of our financial institution supporters that as they design portfolio products for low-moderate income purchasers the rules are too restrictive. We have already experienced financial institutions' credit policy and risk areas taking a stricter interpretation of the regulation that will result in even a tighter mortgage credit market than what we are experiencing today.

In a recent article from the American Banker entitled Blacks and Hispanics Likely to be Hurt By 'Qualified Mortgage' Rule underscored the concerns about unintended consequences of these proposed rules. The reporter stated that "roughly one-third of black and Hispanic borrowers would not meet the requirements of a QM loan based solely on its debt-to-income requirements, according to recent Federal Reserve Board report." At this juncture we can only comment about the potential risks that could arise from the QM; e.g. lenders concerns about possible fair lending claims, other regulatory standards or changes with GSE guidelines.

We do not have a resolution for this issue at this time but intend to closely monitor the effect that the QM and QRM rules have on NHSNYC's clientele.

Homeownership Education and Counseling

Homeownership is the single largest source of wealth for most Americans. Academics have shown that homeownership is associated with improved child education, higher neighborhood real estate values, increased savings and even reduced teen pregnancy rates.¹ Most benefits of homeownership derive from stability: people become homeowners when they have less need to move frequently, and when they have sufficient income and assets to invest in their home and ultimately in their community. Unfortunately, today many borrowers are under great stress as adjustable mortgages increase and real estate scams proliferate. The benefits of homeownership can be lost to those who cannot afford expensive repairs or higher interest rates.

Homeownership education and counseling programs assist borrowers to make good choices in finding decent affordable homes. Qualified counseling programs cover topics ranging from understanding credit and savings; shopping for a mortgage; housing discrimination; home maintenance; and predatory lending. They encourage buyers to get vendors (attorneys, inspectors) who work for them rather than for the seller or broker, and they alert home buyers to common scams in the market. They provide the homeowners with a thorough and unbiased review of their financial situation and the types of mortgage products that may best suit their needs.

¹ Dietz, Robert D. "The Social Consequences of Homeownership" (Ohio State University: 2003).

Quality counseling can provide tools to determine whether homeownership is an appropriate housing option in the first place.

Pre-purchase education and counseling has been proven to help reduce mortgage delinquencies among homebuyers. Several studies that examined the effect of homeownership education and counseling on default rates found lower delinquency and default rates. One study of Freddie Mac's affordable lending program provides direct empirical evidence of the service's value, concluding that some types of pre-purchase education and counseling have a significant impact on mortgage delinquency rates. Based on a group of 34,000 loans from Freddie Mac's portfolio that received this service, 90-day delinquency rates were lowered by 19% for educated borrowers overall. Borrowers who received individual counseling experienced a 34% reduction in delinquency rates, while borrowers who received classroom and home-study education obtained 26% and 21% reductions in delinquency.²

NHSNYC believes that homeownership education and counseling is an equally important factor, and should be considered as part of the underwriting process. An example as a way to incentivize the homeowner to attend counseling sessions is to offer a discount on mortgage rates. The mortgagor would be responsible for the payment to the counseling agency. We are willing to expand upon this concept and encourage you to consider incorporating homebuyer education and counseling and ways to pay for it into the final rule, where applicable.

About NHSNYC

Established in 1982 as a trusted not-for-profit organization, NHSNYC focuses its programs and services to aid clients in strengthening their personal finances; which primarily leads many clients to responsible homeownership. We provide services throughout New York City, with targeted impact through our Neighborhood Offices in: Bedford-Stuyvesant, East Flatbush in Brooklyn; the North Bronx and the South Bronx; and Northern Queens.

NHSNYC's mission is as follows: NHSNYC revitalizes underserved neighborhoods by creating and preserving affordable housing and providing opportunities for homeownership education, financial assistance and community leadership. Working in partnership with government and business, we are led by local residents and guided by local needs. We accomplish this mission through the implementation of three core program components to facilitate strong foundation:

Neighborhood Stabilization and Homeownership Preservation to provide low-interest loan products for the purchase, renovation or re-construction of single family homes; as well as emergency repair, energy efficiency projects, and disaster preparedness programs.

Financial Coaching Support is focused on helping clients who receive our individual housing counseling and foreclosure intervention counseling services create balanced household budgets, which align monthly expenses with available income.

Resident Leadership and Community Building through awareness campaigns, community organizing and leadership development programs. Currently, we are providing homeowners impacted by Sandy with alerts about the common practices of unscrupulous contractors; like requiring full advanced

² Harad, Abdighani and Peter Zorn, "A Little Knowledge is a Good Thing: Empirical Evidence of the Effectiveness of Pre-Purchase Counseling" (Harvard Joint Center for Housing Studies, 2003).

payments of large repair projects. We also invite residents of underserved communities to serve as members of select boards and committees.

As a NeighborWorks America chartered member, our constituency is defined as low-moderate income families and residents of low to moderate income neighborhoods within the five boroughs of NYC. The individuals served by NHSNYC benefit from our various programs allowing for us to serve as a trusted advisor and advocate as they need assistance in navigating the issues of financial literacy, banking, mortgage finance and foreclosure intervention. Our Customers demographics are: 65% very-low to moderate income households; 51% Black/African American and 21% Latino; 7% Caucasian; 5% Asian; 16% Other; 13% Age 61 and Above/Seniors; and 20% Female Head of Households.

In 2012, NHSNYC engaged more than 7,400 families in New York City through our core programs. We enabled 222 New York City families to become homeowners for the first-time, by facilitating more than \$53 million in affordable and fixed-rate mortgage financing, which represents a 27% increase in this work compared with 2011. Through our financial lending programs and counseling, we assisted 1,370 distressed homeowners with high-quality, foreclosure prevention education and individual counseling, which averted 178 foreclosures—primarily by helping to negotiate 167 mortgage modifications.

Additionally, NHSNYC is a member of National NeighborWorks Association (NNA), the national trade association of “NeighborWorks®” organizations; non-profits chartered by Neighborhood Reinvestment Corporation (d/b/a NeighborWorks® America) that create affordable housing and economic opportunities in America’s urban, rural and suburban communities. Our membership includes over 195 NeighborWorks® and non-NeighborWorks® non-profit housing and community development organizations in 49 states, Washington, DC and Puerto Rico.

Conclusion

Strong and sustainable national economic growth will depend on creating the right conditions needed for a housing recovery. We applaud your monumental efforts to date, and for your equally strong showing of leadership in re-issuing this very important rule.

Thank you for your consideration of these comments and for your efforts on behalf of consumers and the mortgage markets. Please feel free to contact us at 212-519-2500 for any clarification of these comments.

Sincerely,



Bernell K. Grier
Chief Executive Officer