From: Julie Thurlow <jthurlow@readingcoop.com>
Sent: Wednesday, June 08, 2011 12:28 PM
To: comments@FDIC.gov; regs.comments@federalreserve.gov; !FHFA REG-COMMENTS; comments@occ.treas.gov; rules-comments@sec.gov
Subject: Credit Risk Retention Comment Letter due June 10

OCC Docket # OCC-2011-0002
Federal Reserve Docket No R-1411
FDIC Docket No. 2011 - _____
SEC Release S7-14-11
FHFA - 12CFR Part 1234

I find it incomprehensible that this proposed rule has sidestepped the whole Fannie and Freddie problem. The creation of risk retention on any loan; excluding those sold to the government agencies that represent the largest aggregator and issuer of mortgaged backed securities is ignoring the elephant in the room.

I am the President of a $300MM community bank. We are responsible lenders and until this year, we retained all of our loans in our own portfolio and on our balance sheet since inception of our Bank in 1886.
During the most recent recession, we had only one residential mortgage foreclosure, which was caused because the borrower was deceased and was without heirs or equity. My customers should not be penalized because of the past behavior of large MBS issuers that did not perform adequate underwriting and due diligence; that lacked adequate risk management practices; and had ineffective or non-existent internal controls. As clearly evidenced by our portfolio and the portfolios of many similar community banks; origination and portfolio management of mortgage loans by experienced, properly regulated financial institutions that have audit and oversight in place, does not require a wholesale overhaul.

If the FDIC or individual states were required to oversee mortgage brokerage firms to include random sampling and validation of loans originated, the fraud and abuse would have been identified early. The Commissioner of Banks here in Massachusetts did just that, calling attention, and acting upon the fraudulent behaviors in our state three years earlier than the rest of the nation. This is another reason that the Massachusetts economy and banking industry has fared better than many other parts of the nation. Unfortunately, out-of-state originators and large national banks and their unscrupulous firms were allowed to continue abusive and predatory practices here in Massachusetts due to gaps in national oversight.

If the regulators of these government agencies, non-bank lenders and the Too Big to Fail Banks had performed adequate oversight of the agencies/banks to include audits of underlying assets that were purchased, underwriting concerns and rating agency assumptions, the toxic mortgages may have been called into question much earlier, potentially avoiding the disaster that ensued.

Barring consumers from access to credit unless they have 20% down is clearly not in the best interest of our economy. In our community the median home price is in excess of $400,000. It is unrealistic to require borrowers to save $80,000 to buy a home. Such a requirement would have a disastrous impact on the housing market and the economy. Rental costs can be transferred to homeownership assuming adequate income support is available for the purchase. Capping debt ratios, subject to mitigating circumstances, such as net worth etc would better serve the consumer than capping loan amounts.

Our success is attributable to our goal of never putting our customers into a home that they cannot afford. That should be every lender's responsibility.
Even handed oversight of all the participants is better than market restrictions. To quote a friend, "With an 80/20 loan requirement, only people that don't need houses will be able to afford them; Home ownership will be a dream except for the privileged.

Sincerely,

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