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OFFICE OF GENERAL COUNSEL

June 6, 2011

Office of the Comptroller of the Currency
250 E Street, SW, Mail Stop 2-3
Washington, DC 20219
RIN 1557-AD40

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
RIN 7100-AD-70

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

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA43
Federal Housing Finance Agency
Fourth Floor
1700 G Street, NW
Washington, DC 20552

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
RIN 3235-AK96

Regulation Division
Office of General Counsel
Department of Housing and Urban Development
451 7th Street, SW, Room 10276
Washington, DC 20410-0500
RIN 2501-AD53

Dear Sirs/Madams,

The National Association of Affordable Housing Lenders (NAAHL) is a national network of for-profit and non-profit lenders committed to increasing the supply of private capital in underserved areas. We represent America's leaders in moving private capital to those in need, 100 organizations committed to increasing lending and investing private capital in low and moderate income (LMI) communities. This "who's who" of private sector lenders and investors includes major banks, blue-chip, non-profit lender CDFIs, and others in the vanguard of affordable housing.

We appreciate the opportunity to comment on the proposed rule to implement the credit risk requirements of section 15G of the Securities Exchange Act of 1934 (15 U.S.C. 78o-11), as added by section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

We are concerned that in an attempt to "get back to basics" and prevent a replay of the proliferation of exotic mortgages that led to the financial crisis, the proposed rule would actually hamper an already struggling housing market and create unnecessary barriers to homeownership. The proposed rule should strike a better balance between borrowers' access to mortgages and lenders' risk from those loans. The down payment on a home is only one element of that risk, yet the proposal defines "qualified residential mortgage" (QRM) very narrowly, stipulating both a:

- 20% down payment, and
- housing debt to income ratio no higher than 28%

This approach ignores other important elements of careful underwriting that serve to mitigate the risk of a lower down payment or higher monthly payment, such as private mortgage insurance, a high FICO score, savings, earnings potential, and housing counseling certification.

Members of Congress have already expressed concerns that the proposed rule will bar many first-time home buyers and LMI individuals from being able to buy a home. As Moody's Analytics chief economist Mark Zandi wrote in a recent paper, *The Skinny on Skin in the Game*:

> ***"Under the restrictive QRM rule, the vast majority of loans will be non-QRMs subject to the higher costs of risk retention and without regulations that mandate sound underwriting standards…While there is no question that larger down payments correlate with better loan performance, low down payment mortgages that are well underwritten have historically experienced manageable default rates, even under significant economic or market stress."***

Zandi also points out that the proposed down payment requirement would not only be an impediment to LMI borrowers, but also to most Americans, since almost half of 2010 mortgage originations involved loans with less than a 20 percent down payment. There is a good reason for that: most Americans do not have the cash at-hand to make such a high down payment. For example, to buy a home for $170,000, the median national price, a borrower would have to come up with $34,000 in cash. It would take the average middle-class family 14 years to save that much money plus closing costs, according to an analysis by the Center for Responsible Lending.

Thank you for the opportunity to comment on this proposed rule. We look forward to working with you to strike the balance between access to and risk from mortgage lending so as to increase the flow of private capital to underserved areas.

Sincerely,

Judith A. Kennedy

Judith A. Kennedy
President and CEO