

National Foreclosure Prevention and Neighborhood Stabilization Task Force

July 27, 2011

Department of the Treasury
Office of the Comptroller of the Currency
250 E Street, SW., Mail Stop 2-3
Washington, DC 20219
Docket No. OCC-2011-0002, RIN 1557-AD40

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
Attn.: Elizabeth M. Murphy, Secretary
RIN 3235-AK96
Release No. 34-64148; File No. S7-14-11

Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Attn: Jennifer J. Johnson, Secretary
Docket No. 2011-1411, RIN 7100-AD-70

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

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

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

To Whom It May Concern:

We, the members of the National Foreclosure Prevention and Neighborhood Stabilization Task Force, commend the Office of the Comptroller of the Currency (OCC), Federal Reserve System, Federal Deposit Insurance Corporation (FDIC), U.S. Securities and Exchange Commission, Federal Housing Finance Agency, and Department of Housing and Urban Development (HUD) for seeking input on how best to implement the credit risk retention requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Convened in November 2007, the National Foreclosure Prevention and Neighborhood Stabilization Task Force is a cross-industry group of local and national organizations working to address the impacts of the foreclosure crisis on communities. Our mission is to bring together advocates, practitioners, and other experts from across the country around foreclosure prevention and neighborhood stabilization efforts to exchange critical information and to help craft policy, legislative, and programmatic initiatives that primarily support low and moderate-income individuals and families.

As practitioners and advocates focused on assisting neighborhoods and families devastated by the foreclosure crisis, we are concerned that the strict underwriting standards proposed for Qualified Residential Mortgages (QRMs) will deny millions of low- and moderate-income Americans the opportunity to purchase homes. Such an outcome would mean that millions of homes would continue to sit vacant and weigh down neighborhood property values. Currently, in our neighborhood stabilization work, we are seeing that willing buyers are having difficulty accessing

mortgage credit. The proposed QRM rule will only worsen this situation and further slow the process of clearing the large inventory of vacant and foreclosed properties that are decimating neighborhoods all over the country.

Therefore, we offer the following comments:

- Be cautious of unintended consequences that will harm struggling neighborhoods. As we seek to recover from this foreclosure crisis, it is critical that mortgage credit be available to qualified homebuyers of all income levels and in all neighborhoods via the same efficient channels available elsewhere. This is especially true for low- and moderate-income homebuyers and neighborhoods destabilized by large numbers of foreclosed and abandoned properties. A strict QRM rule that makes it very difficult or expensive for first-time and moderate-income homebuyers to purchase a home could wipe out whole strategies to revitalize neighborhoods and deny families the opportunity to become homeowners, particularly if it sets a precedent for other determinants of credit availability. Homeownership and “mom and pop” rentals must be viable exit strategies for properties in these neighborhoods so that they can once again become vibrant, healthy communities.
- Regulation of product types can screen out risky loans without harming low-wealth borrowers and struggling neighborhoods. We commend the regulators for generally prohibiting product features that add complexity and risk to mortgages, such as terms permitting negative amortization or payment shocks. Such risky loan features were one of the primary drivers of foreclosures across the income spectrum. Analysis of data released with the proposed risk retention rule shows that product type restrictions effectively screen out delinquent loans while excluding far fewer loans overall.¹
- The 20% downpayment requirement and corresponding loan-to-value (LTV) restrictions would uniquely undermine neighborhood recovery. Meeting such high downpayment thresholds would require households to save for decades, choose higher-cost mortgage sources (FHA being the only viable option available now), or forego homeownership altogether. None of these options supports neighborhood revitalization. The final rule should not include a downpayment or LTV restriction.²

Thank you for the opportunity to provide comments on the proposed credit risk retention rule. We commend the regulatory agencies for their ongoing willingness to seek and respond to public input. Please contact Ethan Handelman at the National Housing Conference (ehandelman@nhc.org, 202-466-2121 ext. 238) with any questions or for further discussion.

Sincerely,

The undersigned organizations and localities of the National Foreclosure Prevention and Neighborhood Stabilization Task Force:

Atlanta Neighborhood Development Partnership, Inc
Arizona Foreclosure Prevention Task Force
Avesta Housing
Center for NYC Neighborhoods
Center for Responsible Lending

¹ Mortgage Bankers Association, “Impact of Risk Retention Rules on the Mortgage Market: Presentation Materials” 2011, available at <http://www.mbaa.org/files/Advocacy/2011/RiskRetentionPresentation.pdf>

² The position paper of the Coalition for Sensible Housing Policy, “Proposed Qualified Residential Mortgage Definition Harms Creditworthy Borrowers While Frustrating Housing Recovery,” 2011 makes this case in greater detail.

Council of State Community Development Agencies
Diamond State Community Land Trust
Enterprise Community Partners
Greater Rochester Housing Partnership
Habitat for Humanity International
Habitat for Humanity of the Chesapeake
Healthy Neighborhoods, Inc.
HousingWorks Rhode Island
Local Initiatives Support Corporation
Louisiana Housing Alliance
Mercy Housing
Na Hale O Maui Community Land Trust
National Community Land Trust Network
National Housing Conference
National Housing Institute
New York Housing Conference, Inc
Rebuilding Together
St. Ambrose Housing Aid Center, Inc.
The Wisconsin Partnership for Housing Development, Inc.