



August 1, 2011

Mr. Alfred M. Pollard, General Counsel
Federal Housing Finance Agency
1700 G Street, NW
Washington, DC 20552

Re: Interagency "Credit Risk Retention" Proposal – RIN No. 2590-AA43

Dear Mr. Pollard,

On behalf of the League of Southeastern Credit Unions (LSCU), representing more than 300 state and federal credit unions throughout Alabama and Florida, and approximately 6 million members thank you for the opportunity to comment on this proposal. I want to express our concern about provisions of the proposed interagency credit risk retention rules to be relied upon to implement standards required by Section 941 of the Dodd-Frank Act.

On behalf of our affiliate members, I urge you to reevaluate the proposed "Qualified Residential Mortgage" (QRM) standard set forth in the proposed Credit Risk Retention Rules issued on April 29, 2011. It has long been the practice of our organization to support the development of safe and sound mortgage guidelines, the approach to creating a secondary mortgage market with equal access for all financial institutions found in the proposed QRM standard is far too narrow to be a workable solution for credit unions.

The underwriting standards found in the proposed QRM standard are far too stringent (for example, the high down payment/loan-to-value ratio requirement, the exclusion of private mortgage insurance, the stringent credit history requirements, and low proposed debt-to-income ratios) and could create unnecessarily high barriers for qualified borrowers. The likely result of these standards would be a significantly smaller number of borrowers that could qualify for a mortgage loan with the low rates and preferred product features of a QRM. It could also exclude mortgages from securitizations that do not necessarily represent undue risk simply because they do not conform to this narrow QRM standard.

Additionally, although the proposed QRM is presented as the exception rather than the rule in the private mortgage market, it could, over time, become the standard for mortgages – particularly for credit unions that make up our membership. The National Credit Union Administration, tasked with supervising the safety and soundness of all federally insured credit unions, generally

requires credit unions to adhere to Fannie Mae and Freddie Mac underwriting standards. With the status of the GSEs unknown, a QRM standard could be viewed by NCUA as necessary to ensure safety and soundness concerns are met. In addition to the NCUA, we must remember the now operational Consumer Financial Protection Bureau (CFPB) will likely begin weighing in on this and other consumer related issues and there is no definitive information on just how these underwriting standards will be viewed by the agency charged with the responsibility of protecting consumer financial activities. Again, the unintended consequence of these narrow QRM standards would be additional limitations placed on a credit union's ability to design loans aimed at the true credit needs of their members. This in turn will make it far more difficult for credit unions to make non-QRM loans and members and the industry will suffer for it.

I know credit unions, leagues, and concerned members are submitting comments for your consideration. In view of these responses to your call for comment on the issue, I urge you to reconsider the QRM definition and issue a new proposed QRM standard for further review. It's important to note the impact of the proposal upon those speaking out and consider their concerns.

If you have any questions, please feel free to contact me directly.

Sincerely,

A handwritten signature in black ink, appearing to read 'Patrick La Pine', with a stylized, cursive script.

Patrick La Pine