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Ladies and Gentlemen:

We represent a diverse group of national civil rights, labor and consumer organizations, and we write to share our views with respect to the regulation of securitizers of residential mortgage loans. We address specifically the credit risk retention and "Qualified Residential Mortgage" ("QRM") rules the agencies are developing pursuant to section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. We raise two issues of significant concern to our constituents.

1. **Securitized loans should meet basic servicing standards to prevent unnecessary foreclosures.**

Families across the country are losing their homes unnecessarily due to foreclosures that could have been avoided but for the loan servicer's inability or unwillingness to properly service the mortgage. In some cases servicers are foreclosing on borrowers who are being considered for a loan modification—and in some cases, foreclosures are proceeding against borrowers who have received a modification with which they are complying. Addressing these servicing problems is particularly problematic for mortgages that have been securitized due to the obstacles created by the terms of the securitization agreement, the existence of additional lienholders, and misalignment of incentives among the servicers, investors, and homeowners.

For this reason, the risk retention rules should include standards that (1) ensure that servicers modify loans when a modification would yield a greater value to investors than a foreclosure; and (2) remove any obstacles that prevent servicers from doing so. These standards should apply to all securitizations.

2. **The QRM safe harbor should track the "Qualified Mortgage" rebuttable presumption in Title XIV. They should not include down payment requirements that penalize responsible, creditworthy borrowers simply because they lack the wealth necessary for a large down payment.**

We suggest that the Qualified Residential Mortgage safe harbor closely track the rebuttable presumption laid out in Sec. 1412 of Title XIV to the Dodd-Frank Act. These sensible standards, coupled with the servicing standards discussed above, will ensure that the QRM definition captures only responsible, well-underwritten loans. We believe that additional requirements mandating specific loan-to-value ratios will do more harm than good by unduly disadvantaging well-qualified borrowers who lack the wealth necessary for a large down payment.

This is a particular concern for communities of color, low- and moderate-income families, and others traditionally underserved by mainstream lenders. Barring these families from access to responsible loans would reinforce an unfair, separate and unequal housing finance system that relegates underserved families to higher cost, less desirable lending channels or excludes them from homeownership they could otherwise sustain. Creditworthy borrowers should not be limited to FHA or to loans that do not meet QRM standards simply because they cannot make a large down payment. That is not good for homeowners or for the health of the overall market.

Moreover, disruptions in the housing market have stripped equity from homeowners everywhere, and home values have yet to stabilize. In this environment, mandating loan-to-

value ratio requirements would impose unnecessary barriers to homeownership for all borrowers, including those traditionally well-served by the housing finance system.

We appreciate the agencies' work on this, and would be happy to provide any further information that might be helpful.

Sincerely,

AFL-CIO
Americans for Financial Reform
Leadership Conference on Civil Rights
NAACP
National Association of Neighborhoods
National Council of La Raza
National Fair Housing Alliance
National People's Action
Service Employees International Union
Center for Responsible Lending
Consumer Action
National Association of Consumer Advocates
National Consumer Law Center (on behalf of its low income clients)