NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

REALTOR®

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December 1, 2010

The Honorable Ben Bernanke
Chairman
Board of Governors of the
Federal Reserve System
20th Street and Constitution Ave, NW
Washington, DC 20551

The Honorable Shaun Donovan
Secretary
Department of Housing and Urban Development
451 7th Street, SW
Washington, D.C. 20410

John G. Walsh
Acting Comptroller of the Currency
250 E Street, SW
Washington, DC 20219

The Honorable Mary L. Schapiro
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

The Honorable Sheila Bair
Chairman
Federal Deposit Insurance Corp.
550 17th Street, NW
Washington, DC 20429

Edward J. DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street, NW
Washington, DC 20552

Ladies and Gentlemen:

On behalf of the 1.1 million members of the National Association of REALTORS® (NAR), I am writing to express our concerns regarding the impending rule-making on the "Qualified Residential Mortgage" (QRM) under section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank).

The National Association of REALTORS® is America's largest trade association, including NAR's five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,400 local associations or boards, and 54 state and territory associations of REALTORS®.

NAR strongly supported the creation of the QRM exemption to the risk retention requirements of Dodd-Frank. We believe that a balance must be struck between providing affordable mortgage credit and reduction of risk for investors. Much has been done to reduce risk through elimination of poor performing mortgage products, the resumption of diligent underwriting and the implementation of better underwriting and credit quality standards, reforms to the appraisal process, new regulation and laws governing mortgage products (including within Dodd-Frank itself), and other reforms to ensure that we do not return to the types of conditions that led to the mortgage crisis.

The QRM provision in Dodd-Frank was intended to ensure that well documented and properly underwritten mortgages would not be subject to risk retention requirements (e.g., mortgages of the type described in Title XIV's "Qualified Mortgage" provisions). There is much evidence to show that responsible lending standards and ensuring an ability of the borrower to repay greatly reduces risk. Title XIV's provisions should be a guide in determining what qualifies as a QRM.

We fear that extensive additional requirements for QRMs would swing the pendulum too far and reduce the availability of affordable mortgage capital for otherwise qualified consumers. Many borrowers would simply be forced to pay much higher rates and fees for safe loans that nevertheless did not meet too narrow QRM criteria.

For these reasons we urge you to follow Congressional intent and structure QRMs in a manner consistent with the time tested criteria for strongly underwritten loans that borrowers have the ability to repay. We believe broadly constituted QRMs are essential to the housing recovery and the long term health of the housing finance markets. We strongly urge against setting arbitrary standards or limitations that are not necessary for risk reduction and instead have the effect of reducing access to mortgage capital or increasing its costs to consumers or both.

Thank you for your time and consideration in this matter. Should you or your staff have any questions or concerns, please do not hesitate to contact our Director of Real Estate Services, Ken Trepeta at (202 383-1294 or ktrepeta@realtors.org.

Sincerely,

Ron Phipps, ABR, CRS, GRI, GREEN, e-PRO
2011 President
National Association of REALTORS®