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REALTOR®

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September 30, 2014

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1700 G St., NW
Washington, DC 20552

Dear Director Cordray:

I am writing on behalf of more than one million members of the National Association of REALTORS® (NAR) to ask that the Consumer Financial Protection Bureau (the Bureau) does not unduly restrict access to credit by effectively eliminating the so-called "mini correspondent" lending channel.

The National Association of REALTORS® is America's largest trade association, including our eight affiliated Institutes, 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 supports efforts to prevent evasion of the Ability to Repay/Qualified Mortgage (QM) rules. However, the Association also supports access and choice in credit provider channels including affiliated business arrangements and joint ventures properly established under the Real Estate Settlement Procedures Act (RESPA). These arrangements are most often entered into to provide greater service to consumers. Capital constraints of small but growing businesses often govern the type of arrangement that is entered into. Mini correspondents are one such arrangement.

NAR believes that the Bureau should not over-emphasize certain elements of its mini correspondent test. For example: in certain joint venture (JV) arrangements it simply makes more sense that the JV partner be the main partner or channel for selling loans. The value of this channel to both the partner firm and consumer is a main reason for establishing the joint venture.

The same holds true for a warehouse line of credit. Over the years, the mortgage banking industry has often suffered from shortages of warehouse lines. A correspondent partner would greatly value a stable warehouse line of credit. Indeed, forcing a lender to seek an outside warehouse line makes the lender more vulnerable to the whims of the market, not less. Ideally, lenders would want access to multiple warehouse lines but that has simply not been available consistently in recent history. The withdrawal of warehouse lines and correspondent channels for selling loans has been a way the largest players have attempted to gain market share. By turning to comparably smaller but substantial venture partners, smaller lenders have maintained the services and access to credit they provide consumers.

The Bureau should be mindful of these concerns when evaluating mini-correspondent arrangements. These arrangements allow smaller players to provide credit and services. One of the major reasons why the Dodd-Frank Wall Street Reform and Consumer Protection Act was enacted was to deal with too-big-to-fail entities and industry concentration. The

Bureau should therefore be mindful of the concentration effects of provisions that bar entry or growth of smaller lending entities.

NAR would be pleased to discuss these issues in more detail at your convenience. If you have any questions, please contact Ken Trepeta, our Director of Real Estate Services, at ktrepeta@realtors.org or (202) 383-1294..

Sincerely,

Steve Brown
2014 President, National Association of REALTORS®