

October 29, 2013

Federal Reserve Board
Secretary, Board of Governors
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: Comments on Proposed Rule - Credit Risk Retention, Docket No. R-1411

Dear Robert deV. Frierson,

I am writing on behalf of the California and Nevada Credit Union Leagues (Leagues), the largest state trade association for credit unions in the United States, representing the interests of more than 400 credit unions and their 10 million members. The Leagues welcome the opportunity to provide comments to the Federal Reserve System regarding the joint agencies' proposed rule for credit risk retention and the exemption for asset-back securities that are collateralized exclusively by "qualified residential mortgages."

While few credit unions would likely be covered as securitizers, the Leagues are concerned with this proposal because the secondary market will likely conform to "qualified mortgage" (QM) and "qualified residential mortgage" (QRM) standards. Our comments focus on the proposed definition of "qualified residential mortgages."

The CFPB's Ability-to-Repay regulation provides several definitions of a QM. Under the proposal, a QRM would be a loan that meets **any** of the QM definitions. The Leagues agree with this approach and strongly urge the Federal Reserve System and the joint agencies to apply this definition for consistency purposes. As credit unions continue to diligently work on becoming compliant with the CFPB's ability to repay and qualified mortgage rules that take effect in January, it is crucial that the regulators and secondary markets do not add additional burden with yet another definition for which lenders need to contemplate building policies, procedures, and programs.

While we encourage consistency between the rules, we continue to have concerns with the QM, and now the QRM, highly restrictive 43% debt to income (DTI) ratio cap. We are concerned that the DTI cap will harm consumers – preventing eligible home buyers that have the ability to repay from obtaining a mortgage.

The proposed rule defines "residential mortgage" by reference to the definition of "covered transaction" in the CFPB's Reg Z. As such, a residential mortgage would mean a consumer credit transaction that is secured by a dwelling (including any real property attached to a dwelling) *and* any transaction that is exempt from the definition of covered transaction under Reg Z. Therefore, under the proposal, a residential mortgage would include home equity lines of credit, reverse mortgages, mortgages secured by timeshares, and temporary loans. The Leagues support the proposal's definition of residential mortgage by reference to Regulation Z. In doing so, the definitions remain consistent and reduce the compliance burden.

As stated above, the Leagues agree with the proposed approach of aligning QRM with QM. We strongly oppose the proposed alternative QM-Plus definition. The QM-Plus alternative would take the QM criteria as a starting point for the QRM definition, and then incorporate additional standards meant to reduce the risk of default, including a maximum 70% loan-to-value (LTV). A 30% down payment requirement is excessive and will likely prevent many consumers from purchasing a home. Because of our concern that the secondary market will likely conform to QM and QRM standards, we fervently oppose the QM-Plus alternative and urge the agencies to give it no further consideration.

In summary, the Leagues support all efforts for consistency between this rule and the CFPB's Ability-to-Repay and Qualified Mortgage rules. We strongly oppose the QM-Plus alternative definition as it will be harmful to

consumers, making home ownership unattainable for many. We believe the 43% DTI ratio cap will also severely impact the ability of eligible borrowers to purchase homes and we recommend this cap be removed from both CFPB's rule as well as this rule.

Thank you for the opportunity to comment on this proposed rule and for considering our views.

Sincerely,

Diana R. Dykstra
CEO/President
California and Nevada Credit Union Leagues

cc: CCUL