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**Statement by Comptroller Thomas J. Curry on the Reproposal of the Risk Retention Rule**

WASHINGTON — Comptroller of the Currency Thomas J. Curry released the following statement on today's reproposal of the risk retention rule required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010:

Today's reproposal of the risk retention rule makes important strides in ensuring our mortgage markets can operate in a safe and sound manner while meeting the needs of creditworthy borrowers.

Our mortgage markets are important to families, the financial industry, and our national economy. When creditworthy borrowers get the credit they need to buy a home, they improve their lives and the economic well-being of their communities. They create jobs in the housing sector and all of the industries that benefit from a strong housing market, from landscaping to furniture making. When these markets perform as they should, they add stability to our communities. This rulemaking is an important step in addressing some of the problems that contributed to the financial crisis. I think all of us would have preferred to have finished this rule months ago, but this is a particular instance when it is more important to get it right than to do it quickly.

The Dodd-Frank Act contemplated that most mortgage securitizations would be subject to risk retention save for those underwritten to exceptionally high standards—the Qualified Residential Mortgage (QRM). In the agencies' first efforts to define QRM, we proposed down payments of 20 percent and a debt-to-income (DTI) ratio of 36 percent. Many of the comments on the original proposal raised concerns that the standard would make it too expensive for many people to get loans, even though the exception would apply only to a limited class of mortgages. After much discussion among agencies about the rule, the repropoed rule includes some very significant changes.

One especially important revision to the original proposal modifies the definition of QRM. The new proposal equates QRM to the definition of a Qualified Mortgage (QM), as defined under the rule that the CFPB recently finalized. The QM rule does not include underwriting based on credit history, loan-to-value (LTV), or down payment. It does include an analysis of the borrower's ability to repay, with a maximum DTI of 43 percent. In addition, the QM definition prohibits some types of loans and certain loan features, such as interest-only loans, balloon payments, or negatively amortizing loans. QM allows exceptions for rural lenders or small lenders, and allows loans that meet GSE underwriting standards to qualify for QM status, even with DTIs above 43 percent.

Today's reproposal also describes an alternative definition of QRM for comment that incorporates certain credit underwriting standards not included in the CFPB's definition of QM. This alternative, called the QM-plus approach, uses the core QM criteria to define QRM but requires three more aspects of the loan's underwriting to be considered. First, QRM status would be available only for first-lien loans secured by one-to-four family real properties that constitute the principal dwelling of the borrower, and would not be available if any other recorded or perfected liens on the property exist at closing. Second, QRM would only be available if the LTV at closing did not exceed 70 percent. Third, the borrower's credit history would need to indicate an ability to manage debt. Data suggest that mortgages made to these more conservative QM-plus standards would be less likely to default than QMs, and that the QM-plus standard would cover a much smaller share of the market.

I support the QRM-equals-QM approach provided in today's proposed rule and believe that soliciting comments on the alternative approach helps promote a robust conversation and richer understanding of the consequences of the rule we are proposing.

Given the magnitude of these and other changes the agencies have made to address commenters' concerns, I think it makes sense to repropose the rule and encourage all stakeholders to take the opportunity to provide comment on this important proposed rule.

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