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April 5, 2013

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

Re: Docket No. CFPB–2013–0004

[Transmitted electronically to www.regulations.gov.]

Dear Director Cordray:

I am writing on behalf of more than one million members of the National Association of REALTORS® (NAR) to comment on the Consumer Financial Protection Bureau's (CFPB) Request for Information on student loan affordability. Though the CFPB is seeking input on very important questions concerning the availability of affordable student loan options, we have outlined the potential implications rising student debt may have on consumer access to mortgage credit, and more broadly, homeownership due to pending and finalized mortgage finance regulations.

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®.

On numerous occasions, REALTORS® have expressed concerns that rules affecting mortgage markets promulgated without consideration of others being written, will together, put access to homeownership out of reach for a growing number of consumers. As the CFPB and other policymakers evaluate options for addressing the affordability of student loans, NAR believe it is important to share our thoughts on how recent and pending rulemakings related to mortgage finance may impact those with growing student debt burdens who still hope to purchase a home at some point in the future.

Ability-To-Repay and the Definition of a Qualified Mortgage (QM)

Americans burdened with growing monthly debt payments will have restricted access to mortgage credit under the QM rule.

In January 2013, the CFPB released a regulation that outlined rules for lenders to determine whether a borrower has the ability to repay their mortgage loan. If the loan meets certain standards, it is designated as a Qualified Mortgage (QM), providing lenders a degree of protection from legal risks requested by many community banks and lenders. This means the QM rule will largely determine the underwriting standards that a majority of lenders will use to qualify prospective borrowers. Qualifying for a mortgage outside of these standards will likely become very difficult for many otherwise creditworthy consumers.

EQUAL HOUSING OPPORTUNITY

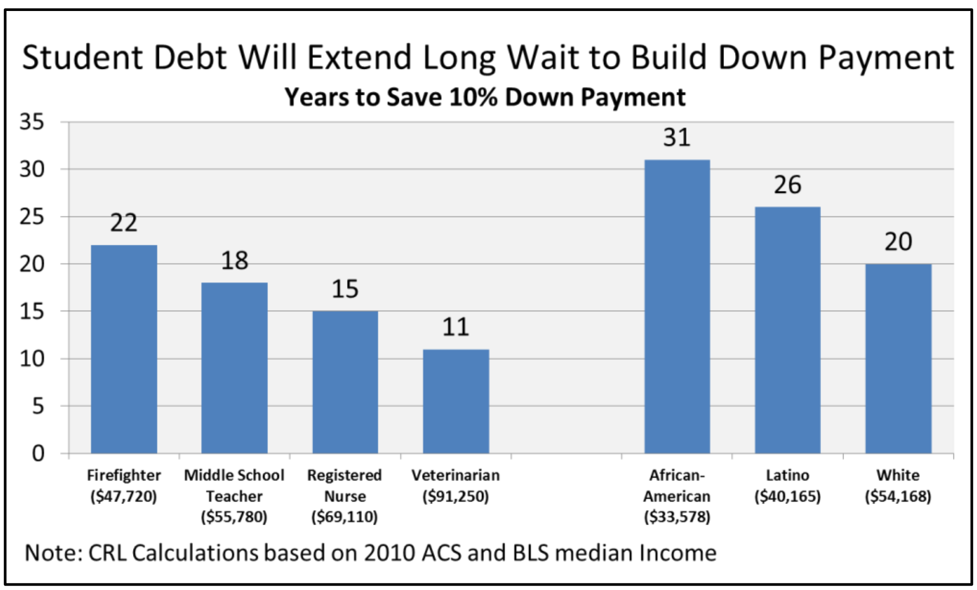
One significant aspect of the QM standard is a requirement that borrower payments on all debts, including those for their mortgage, car and student loan payments, be 43 percent or less of their total income. Though it may be a reasonable standard in many instances, the continued rise in student debt and the weak labor market may have a long term impact on the ability of many first time homebuyers to qualify under this standard, particularly lower income consumers. Many of these potential borrowers will find their student loan payments are a significant portion of their total monthly debt burden. As a result, many community banks and lenders will choose not to approve mortgage loans to a large number of these responsible and otherwise qualified borrowers. This scenario impacts not only those hoping to purchase their first home, but also homeowners looking to trade up to larger homes or refinance their existing mortgages.

The QM rule is the first of several that will impact access to mortgage finance and homeownership levels for graduates with a large amount of student debt. Two other pending regulations may also prevent a younger, debt burdened generation from accessing mortgage credit, based unnecessarily on high down payment requirements.

Risk Retention and the Qualified Residential Mortgage (QRM)

Under the proposed QRM definition, consumers unable to save for a down payment due to growing debt burdens will be denied access to the most reasonable loan terms.

In 2011, six regulators proposed a definition of a Qualified Residential Mortgage (QRM) as part of a broader Credit Risk Retention proposed rule as required by the Dodd-Frank Act. The QRM definition included standards that would require a 20 percent down payment and stringent debt-to-income ratio requirements. Should the continued rise of student loan debt impact the ability of responsible borrowers to save for a down payment, those borrowers will be unable to access the most affordable mortgage options. Though a vast majority of borrowers have been responsible and diligent in making their student loan payments, the ability of borrowers to save for many of the same reasons previous generations have including emergency savings, medical expenses, and down payments may become more difficult.



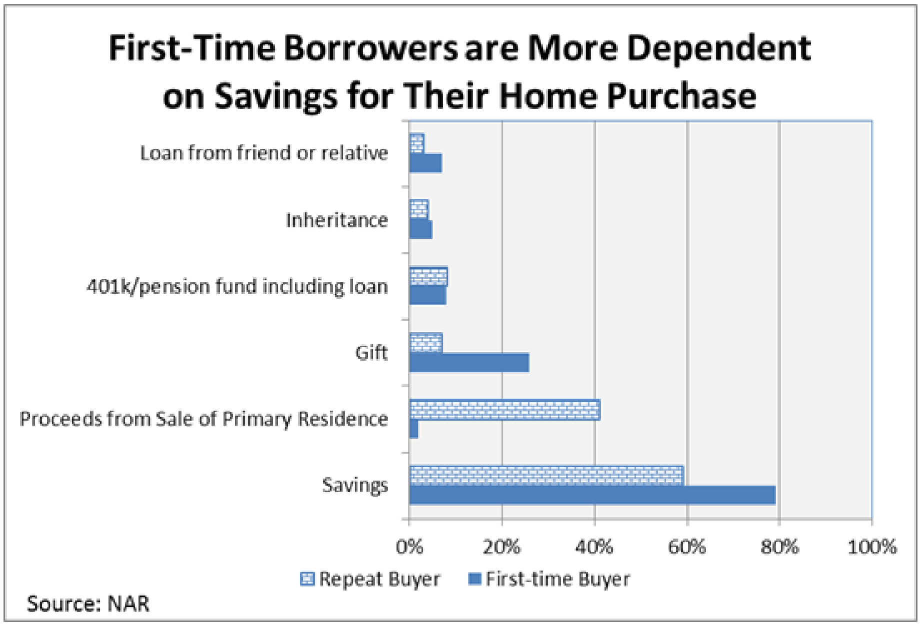
Even a 10 percent down payment requirement will make it more difficult for many borrowers to obtain a purchase mortgage. Therefore, to the extent that student loan debt makes it more difficult for future generations to save for a down payment, these borrowers may find that the QRM rule is another impediment to mortgage credit access, and certainly more expensive. In an effort to ensure that sustainable mortgage credit is accessible to the broadest possible segment of responsible borrowers, NAR has called on regulators to modify the QRM definition to one that is no more restrictive than the standards defined under the QM rule.

With a number of Americans facing difficult decision to take on increased amounts of student debt in order to earn the degree needed to be find even an entry level job, it is important to remove other unnecessary impediments for qualified borrowers to access affordable mortgage credit. Unfortunately, regulators are adding another layer of complexity with pending bank capital rules that will make it more expensive for banks to approve and hold mortgages and mortgage backed securities.

Basel III Bank Capital Standards

Potential homebuyers may also find that banks are unwilling to lend to those who are unable to save for a significant down payment due to substantial cost increases for banks resulting from new Basel III rules.

NAR supports strong capital requirements for our banking industry; however, in the near future young Americans may find that their community banks are less interested in approving mortgages for a new home purchase due to the expense of holding such loans. Again, the scenario becomes even more troublesome should increased student debt payments make it more difficult for future generations to save for a down payment, particularly first time homebuyers who are typically more reliant on savings.



The proposed Basel III international capital rule dramatically increases the cost for banks to hold mortgages and mortgage backed securities not backed by the government. These tougher requirements are partially based on down payment. It is particularly harmful to borrowers with debt burdens who are unable to save 20 percent for a down payment since the cost for banks to hold these mortgages will rise 50 to 100 percent. Americans who find their ability to save for a down payment is impaired by substantial debt burdens may eventually find that their local bank will choose to hold more cost effective assets than their mortgage under the proposed rule, such as debt issued by foreign countries.

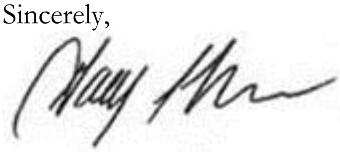
Conclusion

NAR appreciates the opportunity to comment on the CFPB's efforts to obtain more information on the affordability of student loans and their potential long term impacts on other areas of the economy such as housing. New mortgage finance rules will have the ultimate effect of reducing homeownership opportunities for responsible young Americans with rising monthly student debt payments that limit their ability to save for large down payments.

NAR believes that broader discussions of consumer finance issues and their impact on one another should not be avoided due to the complexity of coordination amongst Congress and various federal agencies. Regulators should work collectively to understand the broad implications of the entire economic framework of such issues as growing debt, regulations, and the future accessibility of housing finance.

We would be pleased to discuss these issues in more detail at your convenience. If you have any questions, please contact Charlie Dawson, our Policy Representative for Financial Services, at cdawson@realtors.org or 202.383.7522.

Sincerely,



Gary Thomas
2013 President, National Association of REALTORS®