United States Senate

WASHINGTON, DC 20510

May 26, 2011

Honorable Shaun L. S. Donovan
Secretary
United States Department of
Housing & Urban Development
451 7th Street, SW
Washington DC 20410

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

Honorable Ben S. Bernanke
Chairman
Board of Governors of
The Federal Reserve System
20th & Constitution Avenue, NW
Washington, DC 20551

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

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

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

Ladies and Gentlemen:

We the undersigned intended to create a broad exemption from risk retention for historically safe mortgage products when we included the Qualified Residential Mortgage (QRM) exemption in the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The statute requires the QRM definition to be based on "underwriting and product features that historical loan performance data indicate result in a lower risk of default," and provides clear guidance on the types of factors that can be used, including:

- Documentation of income and assets;
- Debt-to-income ratios and residual income standards;
- Product features that mitigate payment shock;
- Restrictions or prohibitions on non-traditional features like negative amortization, balloon payments, and prepayment penalties; and
- Mortgage insurance on low down payment loans.

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The proposed regulation goes beyond the intent and language of the statute by imposing unnecessarily tight down payment restrictions. These restrictions unduly narrow the QRM definition and would necessarily increase consumer costs and reduce access to affordable credit. Well underwritten loans, regardless of down payment, were not the cause of the mortgage crisis. The proposed regulation also establishes overly narrow debt to income guidelines that will preclude capable, creditworthy homebuyers from access to affordable housing finance.

The extensive additional requirements for QRMs in the proposed rule 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 the exceedingly narrow QRM criteria. Sadly, in many cases, some creditworthy borrowers may not be able to get a mortgage at all.

Congress included the QRM to exempt safe, well-underwritten mortgages that have stood the test of time from the risk retention requirement. We urge you to follow our intent as you modify the proposed risk retention rule.

Sincerely,

Mary L. Landrieu
United States Senator

Kay R. Hagan
United States Senator

Johnny Isakson
United States Senator

cc: The Honorable Timothy Geithner
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

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Saxby Chambliss

Bob Casey, Jr.

Jeff Sessions

[illegible]

Chris Coons

Ron Wyden

Mark Pryor

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Tom Carper

Robert Menendez

Claire McCaskill

Richard Blumenthal

Mike Enzi

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Roy Blunt

John Hoeven

Thad Cochran

Mike Crapo

John Barrasso

Max Baucus

Jeanne Shaheen

Kent Conrad

Jon Tester

John Thune

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Daniel K. Akaka

E. Benjamin Nelson

John Boozman

Mark Udall

Bernard Sanders

Michael F. Bennet

Debbie Stabenow

Jon Tester

Herb Kohl

Jeffrey A. Merkley

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Mark Begich