

# United States Senate

WASHINGTON, DC 20510

May 26, 2011

Honorable Shaun L. S. Donovan  
Secretary  
United States Department of  
Housing & Urban Development  
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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  
20<sup>th</sup> & 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.  
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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.

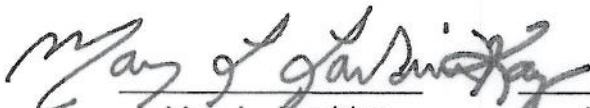
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The proposed regulation goes beyond the intent and language of the statute by imposing unnecessarily tight down payment restrictions. These restrictions unduly narrow the QRM definition and would necessarily increase consumer costs and reduce access 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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