

MARTIN HEINRICH  
FIRST DISTRICT, NEW MEXICO

THE CAPITOL  
336 CANNON HOUSE OFFICE BUILDING  
WASHINGTON, D.C. 20515  
(202) 225-6316

DOWNTOWN ALBUQUERQUE  
505 MARQUETTE AVENUE NW, SUITE 1605  
ALBUQUERQUE, NM 87102  
(505) 346-6781

SOUTH VALLEY  
3211 COORS BOULEVARD SW, SUITE B3  
ALBUQUERQUE, NM 87121  
(505) 877-4069

July 7, 2011



## Congress of the United States House of Representatives

COMMITTEE ON ARMED SERVICES  
SUBCOMMITTEE ON STRATEGIC FORCES  
SUBCOMMITTEE ON  
TACTICAL AIR AND LAND FORCES

COMMITTEE ON  
NATURAL RESOURCES  
SUBCOMMITTEE ON  
ENERGY AND MINERAL RESOURCES  
SUBCOMMITTEE ON  
NATIONAL PARKS, FORESTS AND PUBLIC LANDS

HEINRICH.HOUSE.GOV

Hon. Ben S. Bernanke  
Chairman  
Board of Governors of the Federal Reserve  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

Hon. Sheila C. Blair  
Chairwoman  
Federal Deposit Insurance Corporation  
550 17th Street, NW  
Washington, DC 20429

Hon. Mary L. Schapiro  
Chairwoman  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Hon. Shaun Donovan  
Secretary  
Department of Housing and Urban Development  
451 7th Street, SW  
Washington, DC 20410

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

Hon. Edward DeMarco  
Acting Director  
Federal Housing Finance Agency  
1700 G Street, NW, 4th Floor  
Washington, DC 20552

RECEIVED  
ES/38923  
2011 JUN 17 AM 12:04  
CHAIRMAN'S  
CORRESPONDENCE UNIT

Dear Chairman Bernanke, Secretary Donovan, Chairwoman Blair, Comptroller Walsh, Chairwoman Schapiro, and Director DeMarco:

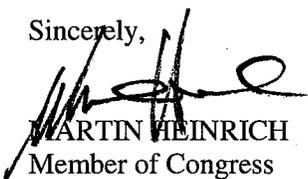
I am writing concerning your notice of proposed rulemaking on the regulations to implement Section 941 of the Dodd-Frank Act which includes defining a Qualified Residential Mortgage (QRM) that will be exempt from the Act's risk retention requirements. I urge you to consider lower down payment loans that have mortgage insurance (MI) as constituting a QRM.

Section 941 of the Dodd-Frank Act specifically names "mortgage guarantee insurance" as one of the factors to be included in the QRM definition. The law recognizes that private capital does not exclusively come from a lender or an investor; it can be provided by a private mortgage insurer. The QRM regulations should reflect this important reality, which was Congress' intent in clarifying this point in the Act. As we seek to ensure sustainable home ownership supported by the private sector, it should not go unnoticed that loans with private mortgage insurance default less often than uninsured loans. Mortgage insurers provide additional scrutiny on a loan application, supplementing the lender's review. In addition, mortgage insurers have well-established procedures that have been shown to mitigate and cure loan deficiencies. These safeguards protect lenders and investors while keeping families in their homes. This is important to consider as we seek ways to create sustainable home ownership opportunities for Americans through the private sector with less reliance on government-supported mortgage finance products.

The proposal to require a minimum 20 percent down payment requirement under the QRM definition would reduce the availability of affordable mortgage capital for otherwise qualified consumers. In fact, in 2009 when underwriting standards had already been significantly tightened, the majority of homes were purchased with less than a 20 percent down payment. An unnecessarily strict QRM definition would particularly harm first-time and minority homebuyers. Creditworthy first-time homebuyers would be priced out of the market, as evidenced by a survey by the National Association of Realtors that found in 2010, 86 percent of first-time homebuyers made down payments below 20 percent. The resultant reduction in demand for housing would only add to the challenges the housing market faces, and could threaten a full-fledged economic recovery for years to come.

In recent years, it has become clear that standards for mortgage lending must be tightened to prevent another meltdown in the housing industry. However, it is important that these tighter standards do not prevent even well qualified borrowers from obtaining a mortgage. I urge you to revise the proposed rule to reflect the intent of Congress by including privately insured loans within the QRM definition. I thank you for your consideration.

Sincerely,



MARTIN HEINRICH  
Member of Congress

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