

Congress of the United States
House of Representatives
Washington, DC 20515-4602

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July 13, 2011

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Acting Director
Office of Thrift Supervision
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Chairman of the Securities and Exchange
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Federal Deposit Insurance Corporation
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Mr. Edward J. DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street, NW
Washington, DC 20552

Ladies and Gentlemen:

I am concerned with the proposed rule to implement a risk retention exemption – the qualified residential mortgage (QRM) – included in Title IX, Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. I fear that this regulation will be overly burdensome to average American households and further stall our economic recovery.

As proposed, the rule would have a negative impact on the ability of my constituents in Virginia's Second Congressional District to realize the dream of homeownership. Your proposal may ultimately reduce the availability of affordable mortgage capital for these otherwise creditworthy consumers.

Dodd-Frank 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 to 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;
- Mortgage insurance on low down payments.

This guidance is cognizant of the fact that weak underwriting and toxic mortgages are the main cause of mortgage defaults, not well-underwritten mortgages with affordable down payments.

I will concede that, prior to Dodd-Frank, the mortgage industry had arguably too little regulatory oversight which may have caused its collapse. However, as a strong proponent of smarter, lighter regulations, I believe that the additional requirements for QRMs in the proposed rule swing the pendulum too far causing a burdensome regulation that will unduly narrow the QRM definition and unnecessarily increase consumer costs and reduce access to affordable credit. The proposed regulation goes far beyond the intent and language of the Dodd-Frank statute by imposing down payment restrictions that will place the ability to purchase a home out of reach for many Virginia families.

As a result of this regulation, many of my constituents will either be forced to pay much higher rates and fees for safe loans that are deemed “unacceptable” by the extremely narrow QRM criteria, or in many cases not be able to get a mortgage at all. Therefore, I ask you to reconsider this regulation so that its implementation does not unintentionally burden middle-class Americans during an economic recovery.

Sincerely,

A handwritten signature in black ink that reads "Scott Rigell". The signature is written in a cursive, slightly slanted style.

Scott Rigell
Member of Congress