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## United States Senate

WASHINGTON, DC 20510-4903

March 18, 2011

The Honorable Shaun Donovan  
Secretary  
Dept. of Housing and Urban Development  
451 7<sup>th</sup> Street S.W.  
Washington, DC 20410

The Honorable Ben Bernanke  
Chairman  
Board of Governors of the Federal Reserve  
System  
2001 C Street, NW  
Washington, DC 20001

Mr. Edward DeMarco  
Acting Director  
Federal Housing Finance Agency  
1700 G Street, NW  
4<sup>th</sup> Floor  
Washington, DC 20552

The Honorable Sheila Bair  
Chairwoman  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> St., NW  
Washington, DC 20429

The Honorable Mary Schapiro  
Chairwoman  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

The Honorable John Walsh  
Acting Comptroller  
Office of the Comptroller of the Currency  
1775 Duke Street  
Alexandria, Virginia 22314

Dear Secretary Donovan, Chairwoman Bair, Chairman Bernanke, Chairwoman Schapiro and Messrs. DeMarco and Walsh,

As Congress considers significant reforms to our nation's housing finance system, there is bipartisan agreement that the private market should play the leading role in whatever new housing finance system policy makers ultimately devise. In recent days, both the Administration and key Members of Congress have recommended that government support for the housing sector be limited going forward and that we should do more to encourage private sector capital to return to the mortgage finance market.

I am concerned that the qualified residential mortgage ("QRM") rulemaking could artificially drive low-downpayment loans towards government-backed mortgage insurance. Loans insured by the Federal Housing Administration (FHA) and other government agencies are statutorily exempt from the risk-retention requirements but press reports indicate that low-downpayment loans insured by private mortgage insurers (PMI) will not be included in the QRM definition. Private mortgage insurance should be treated equally in this rule otherwise it will be difficult to reform our housing market in any meaningful way. Additionally, steering the market to government insured loans could result in consequences that will impact the tax payer and our housing market.

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COMMITTEES:  
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305 5TH AVENUE SOUTH  
SUITE 216  
LA CROSSE, WI 54601  
(608) 796-0045

As you are aware, FHA-insured loans have a 100 percent federal government insurance backing which means that taxpayers are responsible for 100 percent of the loan amount if FHA can't meet its obligations. The President's most recent budget said that FHA's insurance-in-force will reach \$1.136 trillion in 2011 and increase to \$1.253 trillion by the end of 2012. If FHA's financial condition were to deteriorate, this cost to FHA could be borne by the taxpayers. While government insured loans serve an important purpose in our housing market, it is important that there also be private options available to homebuyers in the marketplace. Limiting taxpayer risk and putting private sector capital at risk are important tenets for Congress when it considers reforming the housing market. Therefore, I urge the Administration and regulatory agencies to see to it that any steps forward will not diminish the role that private sector capital can play as part of a new mortgage finance system.

Thank you for your consideration of my views on this issue.

Sincerely,

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

Herb Kohl

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

cc: The Honorable Neal Wolin  
Deputy Secretary  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220