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Congress of the United States
House of Representatives

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ENERGY AND POWER
SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATIONS
SUBCOMMITTEE ON
ENVIRONMENT AND THE ECONOMY

October 19, 2011

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

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Dear Chairman Schapiro:

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. We strongly urge you in this process to consider lower down payments 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 sure 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

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice to ensure transparency and accountability.

Furthermore, it is noted that regular audits are essential to identify any discrepancies or errors in the accounting process. This helps in maintaining the integrity of the financial statements and provides a clear picture of the organization's financial health.

In addition, the document highlights the need for proper segregation of duties. By assigning different responsibilities to various staff members, the risk of fraud and misappropriation of funds is significantly reduced.

It is also stressed that timely payment of liabilities is crucial for maintaining good relationships with creditors and suppliers. This not only helps in securing better terms but also ensures the smooth operation of the business.

The document concludes by stating that a robust financial management system is the backbone of any successful organization. It requires consistent attention, adherence to best practices, and a commitment to accuracy and transparency.

By following these guidelines, organizations can ensure that their financial records are reliable and that their financial statements provide a true and fair view of their operations.

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, due to an overly burdensome government dictate would only add to the challenges the housing market faces, and could threaten a full-fledged economic recovery for years to come.

Other overly proscriptive elements of the proposal regarding credit history are best left in the context of establishing broad underwriting standards and principles. We are concerned, for example, that the proposed regulation establishes overly-narrow debt-to-income guidelines last seen more than a generation ago that would further reduce access to credit for a broad range of Americans. Furthermore, this could have the unintended consequence of pushing borrowers to Federal Housing Administration (FHA) insured loans. The FHA is already playing too large of a role in the mortgage market and we should not institute policies that could exacerbate the problem.

I urge you to revise the proposed rule to reflect the intent of Congress by including prudently underwritten privately insured loans within the QRM definition. I thank you for your consideration and look forward to your timely response.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Sullivan".

John Sullivan
Member of Congress

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that proper record-keeping is essential for the integrity of the financial system and for the ability to detect and prevent fraud. The text also mentions the need for regular audits and the role of independent auditors in ensuring the reliability of financial statements.

In addition, the document highlights the significance of transparency and accountability in financial reporting. It states that stakeholders, including investors and creditors, rely on accurate and timely information to make informed decisions. Therefore, organizations must adhere to established accounting standards and provide clear disclosures of all material information.

The document further discusses the challenges faced by organizations in implementing robust internal controls. It notes that complex business environments and rapid technological changes can create vulnerabilities. To address these challenges, organizations should invest in training, technology, and strong governance structures to ensure the effectiveness of their internal control systems.

Finally, the document concludes by reiterating the commitment to high standards of financial reporting and ethical conduct. It encourages all individuals involved in the financial process to act with integrity and to uphold the public interest. The document serves as a guide for organizations seeking to enhance their financial reporting practices and ensure long-term success.

