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Congress of the United States  
House of Representatives

Washington, DC 20515

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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. This ensures that the financial statements are reliable and can be audited without any discrepancies.

The second part of the document outlines the procedures for handling cash payments. It states that all cash receipts should be deposited into the company's bank account immediately. This helps to prevent any loss or misappropriation of funds. Additionally, it mentions that the company should maintain a separate record of all cash disbursements, including the date, amount, and purpose of each payment.

The third part of the document discusses the process of reconciling the company's bank statements. It explains that the accounting department should compare the company's records of deposits and withdrawals with the bank's records. This process helps to identify any errors or unauthorized transactions. If any discrepancies are found, the company should investigate the cause and take appropriate action to correct the records.

The fourth part of the document outlines the requirements for maintaining proper documentation. It states that all financial records should be kept in a secure and accessible location. This includes receipts, invoices, and bank statements. The company should also maintain a clear and organized system for filing these documents, making it easy to retrieve them when needed.

The fifth part of the document discusses the importance of regular financial reviews. It explains that the company should conduct a thorough review of its financial statements on a regular basis. This helps to identify any trends or issues that may arise and allows the company to make informed decisions about its financial future. Additionally, it mentions that the company should consult with a professional accountant or auditor to ensure that its financial records are accurate and compliant with all applicable laws and regulations.

The sixth part of the document outlines the requirements for maintaining proper records of fixed assets. It states that the company should keep a detailed record of all fixed assets, including their location, condition, and value. This helps to ensure that the company's assets are properly maintained and that their value is accurately reflected in the financial statements.

The seventh part of the document discusses the importance of maintaining proper records of payroll. It explains that the company should keep a detailed record of all payroll transactions, including the date, amount, and purpose of each payment. This helps to ensure that the company's payroll records are accurate and that all employees are paid correctly. Additionally, it mentions that the company should maintain a clear and organized system for filing these records, making it easy to retrieve them when needed.

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 the public, have a right to know how their money is being managed and to have confidence in the information provided. This requires a commitment to high standards of ethical behavior and a willingness to face scrutiny.

The document further discusses the challenges faced by organizations in implementing effective internal controls. It notes that while many companies have robust systems in place, there are still significant gaps in coverage and effectiveness. Addressing these challenges requires a combination of technological innovation, improved training, and a strong culture of compliance.

Finally, the document concludes by reiterating the central theme of the importance of sound financial practices. It calls for continued vigilance and a proactive approach to risk management to ensure the long-term success and sustainability of the organization. The text ends with a statement of intent to continue working towards these goals.

