

United States Senate

WASHINGTON, DC 20510

May 26, 2011

ES/38483
2011 MAY 27 PM 3:07
RECEIVED
CHAIRMAN'S
CORRESPONDENCE UNIT

Honorable Shaun L. S. Donovan
Secretary
United States Department of
Housing & Urban Development
451 7th Street, SW
Washington DC 20410

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

Honorable Ben S. Bernanke
Chairman
Board of Governors of
The Federal Reserve System
20th & Constitution Avenue, NW
Washington, DC 20551

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

Honorable Sheila C. Bair
Chairman
Federal Deposit Insurance Corp.
550 17th Street, NW
Washington, DC 20429

Mr. Edward J. Demarco
Acting Director
Federal Housing Finance Agency
1700 G Street, NW
Washington, DC 20552

Ladies and Gentlemen:

We the undersigned intended to create a broad exemption from risk retention for historically safe mortgage products when we included the Qualified Residential Mortgage (QRM) exemption in the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The statute 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 that can 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; and
- Mortgage insurance on low down payment loans.

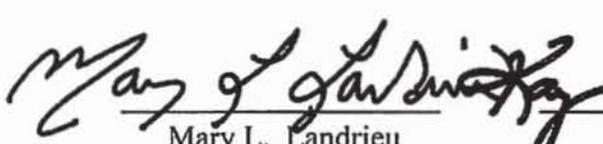
May 26, 2011

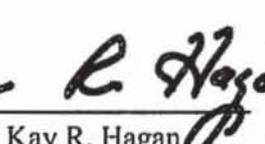
The proposed regulation goes beyond the intent and language of the statute by imposing unnecessarily tight down payment restrictions. These restrictions unduly narrow the QRM definition and would necessarily increase consumer costs and reduce access to affordable credit. Well underwritten loans, regardless of down payment, were not the cause of the mortgage crisis. The proposed regulation also establishes overly narrow debt to income guidelines that will preclude capable, creditworthy homebuyers from access to affordable housing finance.

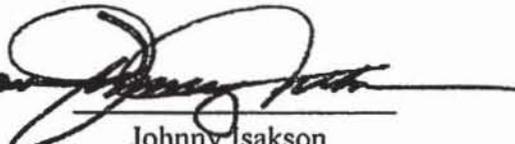
The extensive additional requirements for QRMs in the proposed rule swing the pendulum too far and reduce the availability of affordable mortgage capital for otherwise qualified consumers. Many borrowers would simply be forced to pay much higher rates and fees for safe loans that nevertheless did not meet the exceedingly narrow QRM criteria. Sadly, in many cases, some creditworthy borrowers may not be able to get a mortgage at all.

Congress included the QRM to exempt safe, well-underwritten mortgages that have stood the test of time from the risk retention requirement. We urge you to follow our intent as you modify the proposed risk retention rule.

Sincerely,


Mary L. Landrieu
United States Senator


Kay R. Hagan
United States Senator


Johnny Isakson
United States Senator

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

May 26 2011

Sayby Chaulkin

Bob Carey, Jr.

~~Jeff Jensen~~

~~Tom~~

Chris Coors

Ron Wyden

Mark Taylor

Kyle P. Brown

Tom Carper

Robert Menendez

Gene McCasill

Richard Blumenthal

Mike Enzi

Tim Wirth

Ray Bennett

John Hironaka

Paul Cookman

Mike Crogo

John Barrasso

My Barrasso

Jeanne Shaheen

Kent Conrad

Jon Kyl

John Shadema

May 26, 2011

Jamil K. Spaka

to Benjamin Zelson

John Bozeman

Mark Udall

Bob Sanders

Mark F. B. A

William Stensow

Joe Tom

Herb Kohl

Jeffrey A. Merkley

James R. Risch

Mark Begich

List of Signers

1. Landrieu
2. Hagan
3. Isakson
4. Shaheen
5. Lieberman
6. Blunt
7. Begich
8. Brown (MA)
9. Merkley
10. Burr
11. Chambliss
12. Pryor
13. Stabenow
14. Barrasso
15. Conrad
16. McCaskill
17. Menendez
18. Casey
19. Akaka
20. Tester
21. Boozman
22. Ben Nelson
23. Sanders
24. Wyden

25. Bennet
26. Baucus
27. Carper
28. Graham
29. Cochran
30. Blumenthal
31. Whitehouse
32. Coons
33. Enzi
34. Sessions
35. Mark Udall
36. Kohl
37. Crapo
38. Hoeven
39. Risch