

Committee on Financial Services

2129 Rayburn House Office Building

Washington, D.C. 20515

October 29, 2013

The Honorable Ben S. Bernanke  
Chairman  
Board of Governors of the  
Federal Reserve System  
20<sup>th</sup> & C Streets, NW  
Washington, DC 20551

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

The Honorable Martin Gruenberg  
Chairman  
Federal Deposit Insurance Corporation  
550 17th Street, NW  
Washington, DC 20429

The Honorable Mary Jo White  
Chairman  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

The Honorable Thomas J. Curry  
Comptroller  
Office of the Comptroller of the Currency  
250 E Street, SW  
Washington, DC 20219

The Honorable Shaun Donovan  
Secretary  
U.S. Department of Housing and  
Urban Development  
451 7th Street S.W.  
Washington, DC 20410

**Re: Joint Proposed Rule on Credit Risk Retention OCC RIN 1557-AD40; FRB RIN 7100-AD70; FDIC RIN 3064-AD74; SEC RIN 3235-AK96; FHFA RIN 2590-AA431 HUD RIN 2501-AD53**

Dear Hon. Bernanke, Mr. DeMarco, Hon. Gruenberg, Hon. White, Hon. Curry, and Hon. Donovan:

We write concerning your revised proposal on the credit risk retention requirements under Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203). As required by the Dodd-Frank Act, the proposal would define "qualified residential mortgage" (QRM) and exempt securitizations of QRMs from the risk retention requirements of the Act. The revised proposal, which was released on September 20, 2012, would define QRMs to have the same meaning as the term "qualified mortgages" (QM) as defined by the Consumer Financial Protection Bureau. It also requests comment on an alternative definition of QRM that would include certain underwriting standards in addition to the qualified mortgage criteria.

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Pursuant to your request for comment, we strongly urge you to adopt your preferred approach that would define Qualified Residential Mortgage (QRM) to include any loan that meets the Qualified Mortgage (QM) definition and to reject the alternative QRM approach that would include additional underwriting standards that go far beyond those in the QM rule.

Dodd-Frank's QM and QRM provisions were both intended to promote safer lending and more sound underwriting. The QM definition was designed to help ensure borrowers have the ability to repay a mortgage. It excludes loans with riskier product features, such as negative amortization and interest-only payments, and requires verification of a borrower's debt and income. As your agencies noted, "This approach both protects the consumer and should lead to lower risk of default on loans that qualify as QM."

Aligning QRM with QM will incentivize the origination and securitization of safer mortgage products and preserve access to affordable credit. It will also lead to a more streamlined regulatory environment, which will benefit all participants in our real estate markets – especially smaller community lenders. Moreover, it would resolve a potential unintended consequence wherein more borrowers would be pushed to obtain federally-insured loans through the Federal Housing Administration, which has a lower down payment requirement.

While we appreciate the agencies' seeking public comment on an alternative definition for QRM, which would require a down-payment of at least thirty percent, we urge you to soundly reject this approach. More than 300 members of the House and Senate expressed opposition to the first proposed risk retention rule, which set the down payment requirement at 20 percent, noting that it would reduce the availability of affordable mortgage credit to otherwise qualified borrowers. A proposal to raise down payment requirements to 30 percent would further restrict credit and regretfully ignore congressional intent.

We thank you for your efforts to improve and finalize this important rule and look forward to your timely response.

Sincerely,



RANDY NEUGEBAUER  
Chairman  
Subcommittee on Housing  
and Insurance



MICHAEL CAPUANO  
Ranking Member  
Subcommittee on Housing  
and Insurance

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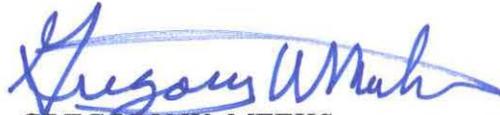
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SHELLEY MOORE CAPITO

Chairman

Subcommittee on Financial Institutions  
and Consumer Credit



GREGORY W. MEEKS

Ranking Member

Subcommittee on Financial Institutions  
and Consumer Credit



SCOTT GARRETT

Chairman

Subcommittee on Capital Markets and  
Government Sponsored Enterprises



CAROLYN MALONEY

Ranking Member

Subcommittee on Capital Markets and  
Government Sponsored Enterprises

cc: The Honorable Jeb Hensarling, Chairman, Financial Services Committee  
The Honorable Maxine Waters, Ranking Member, Financial Services Committee