United States Senate

WASHINGTON, DC 20510

June 21, 2011

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

The Honorable Shaun Donovan
Secretary
Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

The Honorable Ben Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th and Constitution Ave, NW
Washington, DC 20551

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

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

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

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

Ladies and Gentlemen:

We are writing today to encourage your agencies to carefully evaluate the public comments you have received concerning the draft rulemaking required by section 941 of the Dodd-Frank Act. Specifically we have serious concerns regarding your overly proscriptive definition of what is a "Qualified Residential Mortgage" or QRM. A failure to get this exemption right could have serious consequences on the availability and costs of mortgage credit and the overall housing market. It could also prevent private investors from re-entering the securitization market in any meaningful way. We respectfully suggest that you consider the public comments submitted during your extended comment period and then re-propose the rule prior to implementation later this year, keeping in mind the intent of Congress.

There is little doubt that poor mortgage underwriting was a significant cause of the financial crisis. In far too many instances, originators ignored the basic principles of has affected our housing finance system in a dramatic way and it will be quite some time before we see a full recovery. While we are committed to ensuring that the government not allow the mistakes of the past to continue, we believe there is a real possibility that the reforms contemplated by this current rulemaking could do more harm than good. The most serious reform contemplated by your proposal is the 20% downpayment requirement, without any consideration for credit enhancement. Research indicates that while the level of downpayment is one factor, it may not be the most significant predictor of loan performance.

We would encourage you to consider the rulemaking required under section 941 in the larger context of comprehensive housing finance reform. Market discipline, regulatory guidance, and prudent underwriting standards could do much to protect consumers and investors alike. It is imperative that an appropriate balance is struck between the need for strong underwriting standards and the need to revive a robust, private securitization market. Unfortunately, the rule as currently drafted, could place many creditworthy borrowers out of the market and further stagnate our already struggling housing market.

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

Sincerely,

Jerry Moran