JAMES M. INHOFE
OKLAHOMA

WASHINGTON OFFICE
205 RUSSELL SENATE OFFICE BUILDING
WASHINGTON, DC 20510–3603
(202) 224–4721

TULSA OFFICE
1924 SOUTH UTICA, SUITE 530
TULSA, OK 74104
(918) 748–5111

OKLAHOMA CITY OFFICE
1900 N.W. EXPRESSWAY, SUITE 1210
OKLAHOMA CITY, OK 73118
(405) 608–4381

United States Senate

WASHINGTON, DC 20510–3603

COMMITTEES:
ARMED SERVICES
ENVIRONMENT AND PUBLIC WORKS
FOREIGN RELATIONS

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June 23, 2011

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

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

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

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

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

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

Ladies and Gentlemen:

Congress intended to create a broad exemption from risk retention for historically safe mortgage products when it 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 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 in residual income standards;
- Product features that mitigate payment shock;
- Restrictions of prohibitions on non-traditional features like negative amortization, balloon payments, and prepayment penalties; and
- Mortgage insurance on low down payment loans.

The proposed regulation goes beyond the intent and language of the statute by imposing unnecessarily tight down payment restrictions. The 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 credit worthy 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 of retention requirements. I urge you to follow our intent as you modify the proposed risk retention rule.

Sincerely,

Jim M. Inhofe

Senator James M. Inhofe