



Federal Deposit Insurance Corporation
Washington DC 20429

Office of Legislative Affairs

JK

**OFFICE OF LEGISLATIVE AFFAIRS
CORRESPONDENCE ASSIGNMENT**

LA 11-01032

ASSIGNED TO:
COMMENTS

DATE: 07/22/2011

DUE DATE: 07/22/2011

CORRESPONDENT: HONORABLE MILLER, CANDICE S.
HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

CONGRESSWOMAN MILLER EXPRESSES CONCERN REGARDING THE PROPOSED
QUALIFIED RESIDENTIAL MORTGAGE RULE.

THE ATTACHED INQUIRY HAS BEEN ASSIGNED TO COMMENTS FOR PREPARATION OF
A **DRAFT RESPONSE FOR THE SIGNATURE OF THE DIRECTOR, OLA**. THE DRAFT
RESPONSE SHOULD BE DELIVERED TO THE OFFICE OF LEGISLATIVE AFFAIRS
CORRESPONDENCE UNIT (MB 6082) NO LATER THAN COB **07/22/2011**.

IF YOU HAVE ANY QUESTIONS RELATING TO THIS ASSIGNMENT, PLEASE REFER TO
DIRECTIVE 1211.2 OR CONTACT THE CORRESPONDENCE UNIT OF THE OFFICE OF
LEGISLATIVE AFFAIRS AT 898-7055.

DISTRIBUTION:

MR. NASH
MS. GOODMAN
MS. RYAN
MR. KILBER
MS. BOLLEA (OIG)

CANDICE S. MILLER
10TH DISTRICT MICHIGAN

WASHINGTON OFFICE
1034 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20616
(202) 225-2106
FAX: (202) 226-1169

DISTRICT OFFICE
48701 VAN DYKE AVENUE
SHELBY TOWNSHIP, MI 48217
(586) 997-6010
FAX: (586) 997-5013



Congress of the United States
House of Representatives
Washington, DC 20515-2210
July 22, 2011

CA11-1032
COMMITTEE ON
TRANSPORTATION
AND INFRASTRUCTURE
HIGHWAYS AND TRANSIT
RAILROADS, PIPELINES,
AND HAZARDOUS MATERIALS
WATER RESOURCES
AND ENVIRONMENT
COMMITTEE ON
HOMELAND SECURITY
CHAIRMAN
BORDER AND MARITIME SECURITY

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

Mr. Ben S. Bernanke, Chairman
Board of Governors of the Federal Reserve
20th Street and Constitution Avenue, NW
Washington, DC 20551

Mr. Martin J. Gruenberg, Chairman
Federal Deposit Insurance Corporation
1776 F Street, NW
Washington, DC 20006

Mr. Edward DeMarco, Acting Director
Federal Housing Finance Agency
1700 G Street, NW, 4th Floor
Washington, DC 20552

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

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

Dear Chairman Schapiro, Chairman Bernanke, Chairman Gruenberg, Acting Director DeMarco, Acting Comptroller Walsh, and Secretary Donovan:

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. I strongly urge you in this process to consider lower down payment 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 cure loan deficiencies. These safeguards protect lenders and investors while keeping families in their homes. This is important to consider as we search for 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 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 from 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. I am 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 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. Thank you for your consideration and I look forward to your timely response.

Sincerely,



Candice S. Miller
Member of Congress

CANDICE S. MILLER
10TH DISTRICT, MICHIGAN

WASHINGTON OFFICE:
1034 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-2106
FAX: (202) 226-1169

DISTRICT OFFICE:
49701 VAN DYKE AVENUE
SHELBY TOWNSHIP, MI 48317
(586) 997-5010
FAX: (586) 997-5013



Congress of the United States
House of Representatives
Washington, DC 20515-2210

COMMITTEE ON
TRANSPORTATION
AND INFRASTRUCTURE
HIGHWAYS AND TRANSIT
RAILROADS, PIPELINES,
AND HAZARDOUS MATERIALS
WATER RESOURCES
AND ENVIRONMENT

COMMITTEE ON
HOMELAND SECURITY
CHAIRMAN
BORDER AND MARITIME SECURITY

FAX TRANSMISSION

PHONE: 202-225-2106

FAX: 202-226-1169

Date: 7/22

FAX NUMBER (202) 898-8730

PHONE NUMBER: _____

TO: Attention: Chairman Martin J. Gruenberg

FROM: Jamie Roe Sean Moran Kyle Burleson Erin Sayago

Jonathan Ciarkowski Laura Ringdahl Chris Stewart Kyah Flickinger

OF PAGES (INCLUDING THE COVER PAGE) 3

MESSAGE: _____

CONFIDENTIALITY NOTICE

This message is intended only for the use of the addressee and may contain information that is privileged and confidential. If you are not the intended recipient, you are hereby notified that any dissemination of this communication is strictly prohibited. If you have received this communication in error, please notify our office immediately by telephone.

Thank you.