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Congress of the United States
House of Representatives

May 27, 2011

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

The Honorable Ben Bernanke
Chairman
The Federal Reserve System
20th Street and Constitution Ave., N.W.
Washington, DC 20551

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

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

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

Mr. John Walsh
Acting Comptroller
Office of the Comptroller of the Currency
250 E Street, S.W., Room 9048

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

I am writing today regarding Section 941 of the Dodd-Frank Act, which requires a definition of exempt "Qualified Residential Mortgages" (ORM) from the Act's risk retention requirements.

Prudent but not needlessly restrictive credit standards are an effective method to measure the homeowner's ability to repay their mortgage obligation prior to the debt being incurred. Down payments also provide protection. Borrowers should be given fair and safe options to fill the gap between a home's appraised value and the requisite collateral threshold, the "equity gap". QRM mortgages should allow for this equity gap to be filled by borrower down payment; or in the case of low down payment homebuyers, well qualified borrowers should have the option to purchase Federal Housing Administration (FHA) insurance, private mortgage insurance, or to borrow a portion of their equity through a subordinate mortgage.

Taking into consideration taxpayers' interests is beneficial and essential as you move forward defining the QRM. Simply requiring 20 percent down payment does not adequately cover losses that would occur when uninsured 80 percent loan-to-value mortgages default. The definition should also prevent concentrating taxpayer risk in the FHA if no other QRM options are provided to low down payment homebuyers. Oftentimes 20 percent down payment is not a viable option for homebuyers, consequently considering other types of collateral will reduce the barrier to entry for homebuyers and move up borrowers.

A balanced approach between the marketplace and prudent regulation should determine adequate protections of the financial system in the event of borrower default. Thank you for your attention and consideration to this issue.

Sincerely,

STEVE STIVERS
Member of Congress