LA11-574

JOHN CORNYN
TEXAS

United States Senate

WASHINGTON, DC 20510–4305

June 7, 2011

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

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

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

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

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OFFICE OF LEGISLATIVE AFFAIRS

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

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

Dear Ladies and Gentlemen:

I am writing in response to your proposed rulemaking to implement the risk retention and Qualified Residential Mortgage ("QRM") provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Street Act (P.L. 111-203). I have heard concerns from Texans about the impact it could have on the housing market and on the availability of mortgage options for creditworthy Americans.

As you know, Section 941 of the Dodd-Frank Act requires the QRM definition to be based on "underwriting and product features that historical loan performance data indicate result in a lower risk of default," and provides guidance on the types of factors that can be used, including the documentation of income and assets, debt-to-income ratios and residual income standards, and mortgage insurance on low down payment loans.

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I am troubled that the proposed rule would unnecessarily increase consumer costs and reduce access to affordable credit for many Americans. It is my expectation that the final risk retention rule will not go beyond the intent and language of the statute.

Also, I am worried that the proposed rule will result in an unlevel playing field for private capital. Loans insured by the Federal Housing Administration (FHA) are statutorily exempt from the risk-retention requirements, while loans insured by private mortgage insurers would not necessarily be included in the QRM definition. This could not only limit the choice for first-time homebuyers to FHA-backed loans, but would also make reforming our housing market and limiting taxpayer exposure more difficult in the future. At a time when increased private financing and less government involvement is sought, putting in place an insurmountable barrier to accessing private market financing would be counterproductive.

I opposed the Dodd-Frank Act, in part, because it would impose unnecessary regulations and more red tape on those who were not responsible for the financial crisis. The last thing that should be done is to impose poorly thought-out regulation that is based on a rigid, one-size-fits-all approach that further strains our financial market, stifles innovation, and hurts job creation.

Sincerely,

John Cornyn

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