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OFFICE OF LEGISLATIVE AFFAIRS

June 9, 2011

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Honorable Shaun L. S. Donovan
Secretary
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Mr. Edward J. DeMarco
Acting Director
Federal Housing Finance
Agency
1700 G Street, NW
Washington, DC 20552

Ladies and Gentlemen:

As you well know, my home state of New Hampshire has a long way to go to fully recover from the worst economic crisis since the Great Depression. Understanding the impact that a healthy housing market can have on New Hampshire's economy, I write with great alarm over the proposed rulemaking for the regulations to implement a risk retention exemption – the qualified residential mortgage (QRM) – under the Dodd-Frank Wall Street Reform and Consumer Protection Act. I fear that the proposed rule may cause irreparable damage to a struggling housing market that is currently undermining our economic growth. The equity requirements of the proposed rule will deny or unnecessarily delay homeownership to qualified lower and middle class borrowers, who may have to save for a decade or more to afford the 20 percent down payment. This will eliminate any chance of a housing recovery, which will have broad economic consequences.

When the Dodd-Frank Act was passed in 2010, I believe it was Congress's clear intent that underwriting standards guide the development of your final QRM definition. As we have learned, the foundation of a healthy mortgage market is built on strong underwriting standards, not overly restrictive equity requirements. This is precisely why Dodd-Frank notably lacked instruction on down payment levels from the very unambiguous parameters on what should be considered, including:

- Documentation of income and assets;
- Debt-to-income ratios and residual income standards;
- Product features that mitigate payment shock;
- Restrictions or 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 far beyond the intention of the law, as enacted, and imposes burdensome down payment restrictions that will price many New Hampshire families out of the housing market. This is an unnecessarily narrow QRM definition that will reduce my constituents' ability to access affordable mortgages. For the economic future of New Hampshire and the United States to be a prosperous one, we need a strong and robust housing sector that is easily accessible by financially qualified, hardworking Americans. My hope is that the final QRM rule will not jeopardize our fragile economic recovery and will exclude burdensome down payment requirements that put homeownership out of reach for far too many creditworthy Americans.

Sincerely,

Kelly Ayotte

Kelly Ayotte
U.S. Senator