

COMMITTEE ON APPROPRIATIONS
 Subcommittee on Defense
 Subcommittee on Transportation, HUD,
 and Related Agencies
 Subcommittee on Agriculture,
 Rural Development,
 FDA and Related Agencies
COMMITTEE ON THE BUDGET
DEMOCRATIC STEERING AND POLICY



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June 30, 2011

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

Dear Chairman Bair:

As our nation continues on its economic recovery I write with concern that the proposed rulemaking for the regulations to implement a risk retention exemption - the qualified residential mortgage (QRM) - for the Dodd-Frank Act will be overly burdensome to average American households. As proposed, the rule would have a severely negative impact on the ability of families in my home state of Ohio to be able to realize the dream of homeownership—an undeniable piece of the American Dream. Your proposal will ultimately reduce the availability of affordable mortgage capital for these otherwise creditworthy consumers, and I urge reconsideration on this matter.

The legislation 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 clear guidance on the types of factors to be used, 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 payments. This guidance is cognizant of the fact that weak underwriting and toxic mortgages are the main cause of mortgage defaults, not well-underwritten mortgages with affordable down payments.

The proposed regulation goes far beyond the intent and language of the statute by imposing onerous down payment restrictions that will place the ability to purchase a home out of reach for many Ohio families. These restrictions unduly narrow the QRM definition and would unnecessarily increase consumer costs and reduce access to affordable credit. The proposed regulation also establishes overly narrow debt to income guidelines that would further reduce access to credit for a broad range of Americans. Other overly proscriptive elements of the proposal regarding credit history are best left in the context of establishing broad underwriting standards and principles.

I believe that the extensive additional requirements for QRMs in the proposed rule swing the pendulum too far and will have substantial and detrimental consequences to the economic health of my home state of Ohio. As a result, many of my constituents will either be forced to pay much higher rates and fees for safe loans that are deemed "unacceptable" by the extremely narrow QRM criteria, or in many cases not be able to get a mortgage at all. Neither situation is sufficient for the sustained viability of Ohio households, and our nation's economy.

Sincerely,



MARCY KAPTUR
Member of Congress

cc: Secretary of the United States Department of the Treasury, Timothy Geithner; Acting Director of the Office of Thrift Supervision, Mr. John Bowman; Secretary of the United States Department of Housing and Urban Development, Shaun Donovan; Chairman of the Securities and Exchange Commission, Mary Schapiro; Chairman of the Board of Governors of the Federal Reserve System, Ben S. Bernanke; Acting Comptroller of the Office of the Comptroller of the Currency, John Walsh; Acting Director of the Federal Housing Finance Agency, Edward DeMarco