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June 23, 2011

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

Ms. Sheila C. Bair, 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 Bair, 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 seek 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,

Jeff Miller

JEFF MILLER
Member of Congress

JM/cs