

MARTIN HEINRICH
FIRST DISTRICT, NEW MEXICO

THE CAPITOL
336 CANNON HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-6316

DOWNTOWN ALBUQUERQUE
505 MARQUETTE AVENUE NW, SUITE 1605
ALBUQUERQUE, NM 87102
(505) 346-6781

SOUTH VALLEY
3211 COORS BOULEVARD SW, SUITE B3
ALBUQUERQUE, NM 87121
(505) 877-4069

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Congress of the United States

House of Representatives

LA11-972
COMMITTEE ON ARMED SERVICES
SUBCOMMITTEE ON STRATEGIC FORCES
SUBCOMMITTEE ON
TACTICAL AIR AND LAND FORCES

COMMITTEE ON
NATURAL RESOURCES
SUBCOMMITTEE ON
ENERGY AND MINERAL RESOURCES
SUBCOMMITTEE ON
NATIONAL PARKS, FORESTS AND PUBLIC LANDS

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Hon. Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve
20th Street and Constitution Avenue, NW
Washington, DC 20551

Hon. Sheila C. Blair
Chairwoman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Hon. Mary L. Schapiro
Chairwoman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Hon. Shaun Donovan
Secretary
Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

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

Hon. Edward DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street, NW, 4th Floor
Washington, DC 20552

Dear Chairman Bernanke, Secretary Donovan, Chairwoman Blair, Comptroller Walsh, Chairwoman Schapiro, and Director DeMarco:

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 urge you 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 would only add to the challenges the housing market faces, and could threaten a full-fledged economic recovery for years to come.

In recent years, it has become clear that standards for mortgage lending must be tightened to prevent another meltdown in the housing industry. However, it is important that these tighter standards do not prevent even well qualified borrowers from obtaining a mortgage. I urge you to revise the proposed rule to reflect the intent of Congress by including privately insured loans within the QRM definition. I thank you for your consideration.

Sincerely,



MARTIN HEINRICH
Member of Congress

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