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ANDY HARRIS, M.D.
FIRST DISTRICT, MARYLAND

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Congress of the United States
House of Representatives
Washington, DC 20515

June 28, 2011

Ms. Mary L. Schapiro, Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Mr. Ben S. Bernanke, Chairman
Board of Governors, Federal Reserve
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

Ms. Sheila C. Bair, Chairman
Federal Deposit Insurance Corporation
1776 F Street, NW
Washington, D.C. 20006

Mr. Edward DeMarco, Acting Director
Federal Housing Finance Agency
1700 G Street, NW, 4th Floor
Washington, D.C. 20552

Mr. John Walsh, Acting Comptroller
Office of the Comptroller of the Currency
250 E Street, NW
Washingotn, D.C. 20219

Mr. Shaun Donovan, Secretary
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, D.C. 20410

Dear Chaiman Schapiro, Chairman Bernanke, Chairman Bair, Acting Director DeMarco, Acting Comptroller Walsh, and Secretary Donovan:

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. It is my firm conviction that a stable housing market is key in the path to economic recovery, and I believe the QRM down payment requirement must be lowered in order not to hamper the resurgence of our housing market.

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% 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% 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% of first-time homebuyers made down payments below 20%. 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 for years to come.

Other overly prescriptive 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 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.

In an effort to support responsible borrowing and lending practices that are not confined by overly restrictive regulations, 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 of this serious matter, and I look forward to working with you toward a stable housing market and a full economic recovery.

Sincerely,

Andy Harris, M.D.
Member of Congress