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Congress of the United States
House of Representatives

GREGORY W. MEEKS
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LEGAL

The Honorable Shaun Donovan
Secretary of Housing & Urban Development
Department of Housing & Urban Development
451 7th Street, SW
Washington, DC 20410

The Honorable Sheila Bair
Chairwoman,
Federal Deposit Insurance US
Corporation
550 17th Street, NW
Washington, DC 20429

The Honorable Ben Bernanke
Chairman
Board of Governors of the
Federal Reserve System
2001 C Street, NW
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The Honorable Mary Schapiro
Chairwoman
Securities & Exchange Commission
100 F Street, NE
Washington, DC 20549

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

The Honorable John Walsh
Acting Comptroller
Office of the Comptroller of the Currency
1775 Duke Street
Alexandria, VA 22314

Dear Messrs. & Madams:

Earlier this year, during the House-Senate Conference on the Wall Street Reform and Consumer Protection Act of 2010, I expressed my support for Senate Amendment #3956 which added an exemption for "qualified residential mortgages" to the risk retention provisions of the legislation. As a member of the House Financial Services Committee, Subcommittee Chairman and Dodd-Frank Act conferee, I am writing to express my continued interest in the provisions of the measure and ensure that the intent of the conferees is followed as the statue is implemented. Properly crafted regulations will provide access to stable, affordable home loans for qualified first time, low and moderate income home buyers while granting investors confidence that the mortgage asset is a low risk investment. The regulatory definition of "qualified residential mortgage" must incorporate mortgage terms and features that result in a lower risk of default, consistent with Section 941 of the legislation the Dodd-Frank conferees agreed to, and subsequently passed unanimously.

The exemption for "qualified residential mortgages" focuses risk retention where it needs to be – on the risky products and lax underwriting standards that fed the collapse of the housing market -- rather than on low risk residential mortgages for credit worthy first time and low to moderate income home buyers. As enacted in Section 941 of the legislation agreed upon by the Dodd-Frank Conference, the provision I supported requires the Securities and Exchange Commission, the Secretary of the Housing and Urban Development, the Director of the Federal Housing Finance Agency and the Federal banking agencies jointly to issue regulations exempting "qualified residential mortgages" from the risk retention provisions of Subtitle D. The conferees made it clear that the definition of "qualified residential mortgage" must take into consideration underwriting and product features that historical loan performance data indicate result in lower risk of default. These include documentation and verification of a borrower's financial resources; standards regarding residual income and debt to income ratios; factors that mitigate the potential for payment shock; mortgage guarantee or other insurance of credit enhancement obtained at the time of origination; and prohibitions on balloon payments, negative amortization, prepayment penalties, interest only payments and other features that increase the risk of borrower default – especially for low and moderate income borrowers. It was the clear intent of the conferees that data indicating a lower risk of default must be considered. In this matter there were no latent ambiguities .

Each of you has received analysis of data that clearly demonstrate that loans with these features perform better than higher risk mortgages. And in addition, the data shows that mortgage insurance not only reduces the risk of default but improves the rate at defaulted loans can cure – be restored to current status. As you know, mortgage insurance is key to providing access to home ownership for low and moderate income and first time home buyers – over 44% of MI loans are made to low and moderate income families. Prior to leading my House colleagues on the conference committee in support of this provision I was provided data that clearly demonstrated that loans satisfying the elements set forth in language the conference agreed to default less frequently and cure more frequently. I understand that each of your agencies has been provided similar data, updated to reflect the most recent 2010 analysis.

To sum up, as drafted, the definition of "qualified residential mortgage" will encompass loans are affordable, sustainable and that the data show are good loans from the perspective of all parties – home owners, lenders and investors. It is important that the definition of "qualified residential mortgage" include the kinds of loans that will support a conventional low down payment mortgage market in order to support the overall recovery of the nation's housing market.

I look forward to working with each of you as you begin the implementation of Section 941 (b). I believe the intent of Congress was clear when we agreed to and subsequently enacted this provision of the law.

Sincerely,

Gregory W. Meeks

Gregory W. Meeks
Member of Congress

cc: The Honorable Timothy Geithner
Secretary
Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220