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COMMERCIAL AND ADMINISTRATIVE LAW



J. Randy Forbes
United States Congress
4th District, Virginia

2438 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-6365

425-H SOUTH MAIN STREET
EMPORIA, VA 23847
(434) 634-5575

2903 BOULEVARD, SUITE B
COLONIAL HEIGHTS, VA 23834
(804) 526-4969

505 INDEPENDENCE PARKWAY
LAKE CENTER II—SUITE 104

July 22, 2011

Honorable Timothy F. Geithner
Secretary
United States Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220

Mr. John E. Bowman
Acting Director
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

Honorable Shaun L. S. Donovan
Secretary
United States Department of
Housing & Urban Development
451 7th Street, SW
Washington, DC 20410

Honorable Mary L. Schapiro
Chairman
Securities and Exchange
Commission
100 F Street, NE
Washington, DC 20549

Honorable Ben S. Bernanke
Chairman
Board of Governors of the
Federal Reserve System
20th & Constitution Ave., NW
Washington, DC 20551

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

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

Mr. Edward J. DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street, NW
Washington, DC 20552

Ladies and Gentlemen:

As our nation continues on its economic recovery I write with grave 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 Virginia 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 Virginia 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 Virginia. 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 Virginia households, and our nation’s economy.

Sincerely,

A handwritten signature in black ink that reads "J. Randy Forbes". The signature is written in a cursive style with a large, stylized "J" and a long, sweeping underline.

J. RANDY FORBES
Member of Congress