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Congress of the United States
House of Representatives
Washington, DC 20515-1503

July 10, 2011

COMMITTEES:
AGRICULTURE
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COMMODITIES AND RISK MANAGEMENT
SUBCOMMITTEE ON LIVESTOCK,
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TRANSPORTATION AND
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SUBCOMMITTEE ON HIGHWAYS AND TRANSIT

Honorable Timothy F. Geithner
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United States Department of the Treasury
1500 Pennsylvania Ave. NW
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Honorable Shaun L. S. Donovan
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United States Department of
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Honorable Ben S. Bernanke
Chairman
Board of Governors of
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Washington, DC 20551

Honorable Sheila C. Bair
Chairman
Federal Deposit Insurance Corp.
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Mr. John E. Bowman
Acting Director
Office of Thrift Supervision
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Honorable Mary L. Schapiro
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Mr. John G. Walsh
Acting Comptroller
Office of the Comptroller
of the Currency
250 E Street, SW
Washington, DC 20219

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 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 negative impact on the ability of families in my home state of Iowa to be able to realize the dream of homeownership, which is 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 Iowa 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 Iowa. 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 Iowa households, and our nation’s economy.

Sincerely,

A handwritten signature in black ink, appearing to read "Leonard L. Boswell". The signature is fluid and cursive, with a large initial "L" and "B".

Leonard L. Boswell
Member of Congress