

# United States Senate

WASHINGTON, DC 20510-4305

June 7, 2011

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 Avenue, 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

Dear Ladies and Gentlemen:

I am writing in response to your proposed rulemaking to implement the risk retention and Qualified Residential Mortgage ("QRM") provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Street Act (P.L. 111-203). I have heard concerns from Texans about the impact it could have on the housing market and on the availability of mortgage options for creditworthy Americans.

As you know, Section 941 of the Dodd-Frank Act 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 guidance on the types of factors that can be used, including the documentation of income and assets, debt-to-income ratios and residual income standards, and mortgage insurance on low down payment loans.

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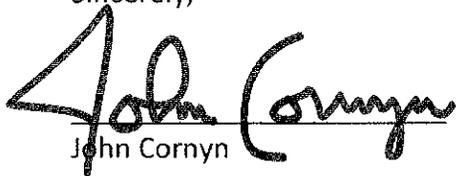
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I am troubled that the proposed rule would unnecessarily increase consumer costs and reduce access to affordable credit for many Americans. It is my expectation that the final risk retention rule will not go beyond the intent and language of the statute.

Also, I am worried that the proposed rule will result in an unlevel playing field for private capital. Loans insured by the Federal Housing Administration (FHA) are statutorily exempt from the risk-retention requirements, while loans insured by private mortgage insurers would not necessarily be included in the QRM definition. This could not only limit the choice for first-time homebuyers to FHA-backed loans, but would also make reforming our housing market and limiting taxpayer exposure more difficult in the future. At a time when increased private financing and less government involvement is sought, putting in place an insurmountable barrier to accessing private market financing would be counterproductive.

I opposed the Dodd-Frank Act, in part, because it would impose unnecessary regulations and more red tape on those who were not responsible for the financial crisis. The last thing that should be done is to impose poorly thought-out regulation that is based on a rigid, one-size-fits-all approach that further strains our financial market, stifles innovation, and hurts job creation.

Sincerely,



John Cornyn

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