

# United States Senate

WASHINGTON, DC 20510

September 20, 2012

The Honorable Shaun Donovan  
Secretary  
Department of HUD  
451 7<sup>th</sup> Street, SW  
Washington, DC 20551

The Honorable Ben Bernanke  
Chairman  
The Federal Reserve System  
20<sup>th</sup> Street and Constitution Ave, NW  
Washington, DC 20429

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

The Honorable Marty Gruenberg  
Acting Chairman  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street NW  
Washington, DC 20429

The Honorable Tom Curry  
Comptroller  
Office of the Comptroller of the Currency  
250 E Street, SW  
Washington, DC 20219

Mr. Edward DeMarco  
Acting Director  
Federal Housing Finance Agency  
400 7<sup>th</sup> Street, SW  
Washington, DC 20024

Dear Sirs and Madam:

We write to you to express our concern regarding the Premium Capture Cash Reserve Account (PCCRA) provision of the proposed risk retention rule issued by your agencies pursuant to Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203). While we support the concept of risk retention as a means to ensure a liquid, safe, and stable securitization market, we are concerned about the harmful impacts a PCCRA provision could have.

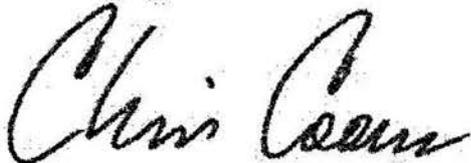
We understand that PCCRA was conceived as a mechanism to prevent securitizers from evading risk retention requirements. While this is an important objective, we are concerned that the rule, as written, could negatively affect capital formation in the residential mortgage backed securities and commercial mortgage backed securities markets.

Implementing a PCCRA provision significantly changes the existing securitization model. This rule requires securitizers to set aside the excess spread into a separate account for the duration of the security, meaning that it would be years before the securitizing entity realizes any gains. The consequences of this concern were identified in a *Special Report* by Mark Zandi and Christian deRitis of Moody's Analytics who wrote the following:

*"As a result of the way the premium capture rule is stated, the mortgage rate impact to borrowers would be significant— on the order of an increase of 1 to 4 percentage points depending on the parameters of the mortgages being originated and the discount rates applied.... Yet the consequences of the rule as written could significantly impede the return of private securitization markets and permanently cement the government's role in housing finance."*

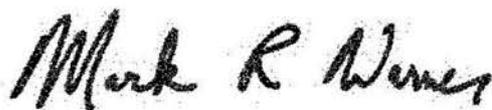
Given these concerns, we urge you to carefully weigh the consequences of including a PCCRA provision into the risk retention rule. The final rule should take a balanced approach that provides a strong, stable, and liquid securitization market.

Sincerely,

Handwritten signature of Christopher A. Coons in black ink.

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Christopher A. Coons  
United States Senator

Handwritten signature of Mark R. Warner in black ink.

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Mark R. Warner  
United States Senator