

United States Senate

WASHINGTON, DC 20510

September 20, 2012

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

The Honorable Ben Bernanke
Chairman
The Federal Reserve System
20th 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 17th 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 7th 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.

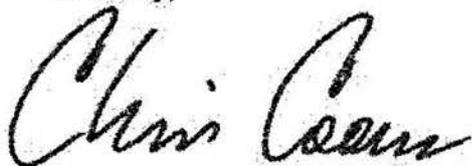
We understand that PCCRA was conceived as a mechanism to prevent securitizers from evading risk retention requirements. While this is an important objective, we are concerned that the rule, as written, could negatively affect capital formation in the residential mortgage backed securities and commercial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

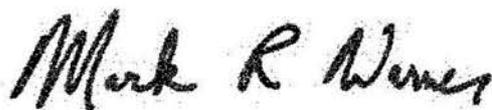
"As a result of the way the premium capture rule is stated, the mortgage rate impact to borrowers would be significant— on the order of an increase of 1 to 4 percentage points depending on the parameters of the mortgages being originated and the discount rates applied.... Yet the consequences of the 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, written in a cursive style.

Christopher A. Coons
United States Senator

Handwritten signature of Mark R. Warner in black ink, written in a cursive style.

Mark R. Warner
United States Senator