United States Senate

WASHINGTON, DC 20510

February 13, 2013

The Honorable Shaun Donovan
Secretary of Housing and Urban Development
Department of Housing and Urban Development
451 7th Street S.W.
Washington, DC 20410

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

The Honorable Elisse B. Walter
Chairman
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

The Honorable Thomas J. Curry
Comptroller
Office of the Comptroller of the Currency
250 E Street, S.W.
Mail Stop 2-3
Washington, DC 20219

Edward DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street, N.W.
4th Floor
Washington, DC 20552

Dear Secretary Donovan, Chairman Bernanke, Chairman Gruenberg, Chairman Walter, Comptroller Curry, and Acting Director DeMarco,

On January 10, 2013, the Consumer Financial Protection Bureau ("CFPB") adopted a final rule implementing the Qualified Mortgage ("QM") under Title XIV of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). Now that the QM rule has been finalized, the regulators responsible for defining the Qualified Residential Mortgage ("QRM") exemption from risk retention under Title IX of the Dodd-Frank Act can resume work to finalize a definition of QRM, consistent with the mandate that QRM be no broader than the definition of a QM.

The QRM exemption resulted from our bipartisan effort to ensure that responsible borrowers have ongoing access to the prudent, sustainable mortgages that for decades have been the cornerstone of a stable and strong U.S. housing market. Our intent as the drafters of this provision was, and remains, clear: to incent the origination of well underwritten mortgages with traditional terms, including full documentation, full scheduled amortization and, in the case of low down payment loans, private mortgage insurance, to the extent such insurance reduces the risk of default.

For the U.S. housing market to continue on its path to recovery, consumers, lenders and investors need greater certainty regarding the boundaries of mortgage lending. The recent action by the CFPB to finalize the rules implementing the ability to repay provisions of Dodd Frank was an important step toward this certainty and access. The next, critical, step is publication of a rule implementing the QRM definition in a manner that clearly and fully reflects our legislative intent.

The QRM rule published over a year ago proposed an overly rigid, narrow standard that will result in many responsible borrowers being denied the opportunity to purchase a home with sustainable terms and pricing they can afford. As sponsors of the QRM exemption from risk retention in Dodd-Frank Act, we intentionally omitted a specific down payment requirement and never contemplated the rigid 20% or 10% as discussed in the March 2011 Notice of Proposed Rulemaking. We respectfully urge you to act quickly to revise the rule to accurately reflect the language – and intent – of Dodd Frank.

Sincerely,

Senator Mary L. Landrieu

Senator Johnny Isakson

Senator Kay R. Hagan

cc: The Honorable Neal Wolin
Acting Secretary and Deputy Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania, Avenue, N.W.
Washington, DC 20220

The Honorable Richard Cordray
Director
Consumer Financial Protection Bureau
1801 L Street, N.W.
Washington, DC 20220