

5TH DISTRICT, MISSOURI
FINANCIAL SERVICES COMMITTEE
HOMELAND SECURITY COMMITTEE
SELECT COMMITTEE ON
ENERGY INDEPENDENCE AND
GLOBAL WARMING
1ST VICE CHAIR
CONGRESSIONAL BLACK CAUCUS
REGIONAL WHIP (Region 4)



Congress of the United States
House of Representatives
Emanuel Cleaver, II

February 18, 2011

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Honorable Ben S. Bernanke
Chairman
Board of Governors
Federal Reserve System
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CLO: #B - 41
CCS: 11- 1993
RECVD: 2/18/11

Dear Mr. Chairman,

Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires the Securities and Exchange Commission, the Secretary of Housing and Urban Development, the Director of the Federal Housing Finance Agency and the Federal banking agencies to jointly issue regulations exempting Qualified Residential Mortgages (QRMs) from "risk retention" provisions of Subtitle D. The purpose of risk retention is to make sure lenders maintain a stake in their loan portfolio in order to reduce the number of risky loans.

Concern has been expressed to me by several of the financial institutions in my Congressional District regarding the proposed rule. I have been told that some of the federal financial agencies may be considering a very narrowly defined QRM exemption standard. For example, it has been suggested the QRM standard include a very high down payment requirement (20% or 30%) in order to limit WRM eligibility to a small percentage of the market. Such a standard may have a devastating impact on housing markets still recovering, especially in lower and moderate income neighborhoods.

Additionally I have been told that creating a narrow QRM exemption could cause significant disturbances in the fragile housing market through limiting a national risk retention exemption to buyers who can manage a large down payment and thus possibly labeling the majority of American first time home buyers as nonprime and requiring them to pay the more expensive fees and penalties that go with that label.

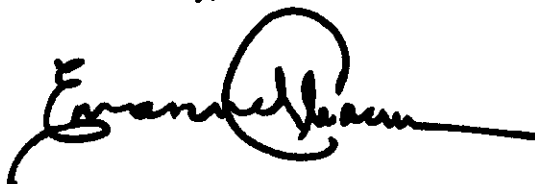
If the QRM includes exceedingly high equity requirements, I have been told that "move up" buyers and refinancers would also be adversely impacted and the goal of clearing high foreclosure inventory and helping distressed homeowners to refinance into a more affordable monthly payment could be undermined.

The financial institutions in my Congressional District ask that the QRM parameters reflect the intent of the Congressional Conferees to facilitate a housing recovery and ensure access to conventional mortgage credit for low-and moderate-income families and first-time buyers while preserving high quality, empirically sound underwriting and product standards.

In short they ask for the rulemaking to proceed through the full notice and comment process to ensure a thorough review and analysis of the supporting loan performance data and the potential impact on the housing market.

Your consideration of their concerns would be very much appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Emanuel Cleaver, II". The signature is fluid and cursive, with a large loop at the end.

EMANUEL CLEAVER, II
Member of Congress

EC/lw