

United States Senate

WASHINGTON, DC 20510

January 22, 2013

The Honorable Thomas J. Curry
Comptroller of the Currency
Department of the Treasury
250 E Street, SW, Room 9048
Washington, DC 20219

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 Seventeenth Street NW, Room 6076
Washington, DC 20429

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve
Twentieth and Constitution Avenue, NW
Washington, DC 20551

The Honorable Edward J. Demarco
Acting Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

The Honorable Shaun Donovan
Secretary
Department of Housing and Urban Development
451 Seventh Street, SW, Room 10148
Washington, DC 20410

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

Dear Sirs and Madam:

I am writing to you today regarding the Risk-Retention and Qualified Residential Mortgage (QRM) standards being developed pursuant to Section 941 of the Dodd-Frank Act. Regardless of how one may feel about Congress telling federal agencies to draft both “qualified mortgage” underwriting standards and rules around so-called “risk retention,” the reality is that the joint federal regulators now responsible for the QRM rules are in a position to materially impact what the system of housing finance in the United States will look like for years to come.

To that end, the risk-retention requirement would require securitizers to retain a statutory minimum of five percent of the credit risk for any asset that is not a QRM. Loans insured by the federal government, including GSE-insured loans as long as the GSEs remain in conservatorship, would be exempted from the requirement.

Since the rule carves out loans sold to Fannie, Freddie, and FHA, however, if the QRM rule is written differently than the QM rule, most financial institutions will only originate loans intended for sale to the FHA, VA, or to a GSE. As such, a perverse outcome of a QRM rule that is different than the QM rule would be that we might permanently enshrine the GSEs and other government agencies as the only large-scale source of mortgage credit in our country. With the federal government now standing behind over 90 percent of home loans originated in the United States, a situation that is simply not sustainable, such an outcome would not at all be healthy for our financial system.

As such, I strongly encourage you to consider drafting a QRM rule that syncs up with the recently determined QM rule. Matching CFPB's version of a safe loan for any borrower with your definition of what constitutes a loan that is safe for securitization makes sense for our system, and it would be wholly consistent with the statute.

I look forward to working with each of you closely on this issue and other issues related to housing finance.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Corker", with a long horizontal line extending to the right.

Bob Corker
United States Senator