

COALITION FOR SENSIBLE HOUSING POLICY

March 4, 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 Sir and Madam:

On January 10, 2013, the Bureau of Consumer Financial Protection (CFPB) issued the final rule defining ability to repay and the Qualified Mortgage (QM) under the Dodd-Frank Act. In addition to defining safe mortgage products and mortgage underwriting standards, QM marks the maximum breadth of the Qualified Residential Mortgage (QRM) exception of the risk-retention rule, a rule currently under consideration by your respective agencies.¹ The Coalition for Sensible Housing Policy² represents diverse stakeholders united in their commitment to responsible lending and the recovery of the housing market, and we strongly urge you to use the Qualified Mortgage standards in the Bureau's rule to define the Qualified Residential Mortgage.

The QM regulation sets the standard for what constitutes fully documented and soundly underwritten mortgage products. The riskier features and products at the heart of the recent financial crisis are not eligible for QM treatment, and they likewise should not be eligible for the QRM. Aligning the QRM and QM standards will encourage safe and financially prudent mortgage lending, while also creating more opportunities for private capital to reestablish itself as part of a robust and competitive mortgage market.

The QM standard goes to the heart of prudent underwriting and consumer protection. The QM definition provides strong underwriting, documentation and product standards that demonstrably lower the risk of defaults consistent with the statutory requirements for the QRM. Synchronizing the QRM definition with the QM would ensure that strong incentives for safe and sound lending are in place, while not impairing the return of private capital to all segments of the

¹ [1] Dodd-Frank Wall Street Reform and Consumer Protection Act, § 941(e)(4)(C)

² The Coalition for Sensible Housing Policy is a diverse coalition of 49 consumer organizations, civil rights groups, lenders, housing and real estate professionals that share the goal of attracting private capital back to the mortgage market for all American households, including low-wealth families that cannot afford a large down payment. For a complete list of the Coalition membership, go to: http://www.sensiblehousingpolicy.org/Contact_Us.html.

mortgage finance market. Furthermore, the QM features are entirely consistent with the investor protection goals of Section 941 of the Dodd-Frank Act, which limits the QRM exemption from risk retention to loans with “product features that historical loan performance data indicate result in a lower risk of default.”

Consequently, the Coalition strongly opposes the addition of stringent down payment and other restrictive requirements to the QRM definition that will ultimately limit the ability of private capital to reach lower income households and first-time buyers. QRM should not be more restrictive than QM.

The Coalition is committed to working toward a housing finance market that provides responsible, sustainable mortgage credit to the broadest possible segment of qualified borrowers. We look forward to working with you toward that goal.

Sincerely,

The Coalition for Sensible Housing Policy