SPENCER BACHUS, AL, CHAIRMAN

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

BARNEY FRANK, MA, RANKING MEMBER

March 26, 2012

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

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

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

The Honorable Mary Schapiro
Chairman
Securities Exchange Commission
100 F Street, N.E.
Washington, DC 20549

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

Mr. John Walsh
Acting Comptroller of the Currency
Office of Comptroller of the Currency
250 E Street, S.W.
Washington, DC 20219

Dear Sirs and Madam:

More than seven months ago, we wrote to you expressing our concerns about the risk retention proposal issued by your agencies pursuant to Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203), which contained a requirement that securitizers set aside the profits from sales of securities in so-called "premium capture cash reserve accounts" ("PCCRAs"). We expressed our concerns that this provision would greatly reduce or perhaps even eliminate the securitization market for many asset classes, thereby reducing a vital source of capital that businesses of all types need in order to create jobs and to finance student loans, auto purchases, home purchases, commercial property development, and daily business operations. Given the potential significant negative effects of the PCCRA requirement, we urged your agencies to perform a rigorous cost-benefit analysis to determine the effect of the PCCRA requirement on economic growth and the vitality of the U.S. securitization market before finalizing the risk retention rule.

While none of your agencies have responded with either a cost-benefit analysis or a description of the analysis your agency would conduct, analyses conducted by third parties have increased rather than ameliorated our concerns. For example, a September 21, 2011, analysis conducted by Mark Zandi, Chief Economist at Moody's Analytics, stated that the PCCRA requirement would have a significant impact on borrowers "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." Mr. Zandi's analysis is in line with an analysis conducted by Bank of America, which was included as Appendix B to Bank of America's risk retention comment letter and estimated "the actual rate of *increase* to a borrower whose loan is included in a securitization transaction subject to the proposed PCCRA requirement would be approximately 2 to 5%."

Given these stark analyses, we respectfully request that each of you provide us with a response to this letter by April 5, 2012, which should include (1) whether your agency conducted a cost-benefit analysis of the PCCRA requirement, (2) the results of that analysis, and (3) whether you believe the PCCRA requirement should be included in the final rule.

Thank you for your attention to this important matter.

Sincerely,

SPENCER BACHUS
Chairman

SCOTT GARRETT
Chairman
Subcommittee on Capital Markets and Government Sponsored Enterprises