our global competitiveness, they are also hampering our economic recovery. I don't know how we can expect our economy to recover when energy prices are what they are. But when employers have access to reliable energy supplies, they can spend their resources on hiring new workers rather than on those escalating energy costs.

In my view, no single form of energy can provide the answer. To meet our country's energy needs, we must develop traditional sources of oil, natural gas and coal, encourage the development of renewable energy sources such as biofuels, wind, solar, geothermal and hydropower and expand the use of nuclear energy, as well as encourage conservation.

A recent report from the Congressional Research Service found that our country's resources are far greater than those of Saudi Arabia, China, and Canada combined. In fact, our combined recoverable oil, natural gas, and coal supplies are the largest on the planet. Yet, in 2009, the administration canceled 77 oil and gas leases in Utah and last year suspended 61 leases in Montana. The administration has also restricted access to oil and gas exploration in the eastern Gulf of Mexico and off the Atlantic coast—although these two areas hold commercial oil reserves of 28 billion barrels and up to 142 trillion cubic feet of natural gas. More production of energy in the U.S. means more jobs in the U.S. and more U.S. workers at work and lower energy costs for businesses and their employees.

Finally, Congress must reduce government spending to bring about this economic growth. I think the debate on government spending is often seen as some philosophical discussion or a partisan political bickering opportunity here in Washington, DC. But the reality is out of control government borrowing and spending has very real consequences for the daily lives of Americans. Our failure to balance the budget will result in increased inflation, higher interest rates, fewer jobs, and a lower standard of living for every American. But this reality has not yet sunk in here in Washington, DC, despite several recent warnings.

At the end of April, Standard & Poor's, one of the world's big three credit rating agencies, downgraded our Nation's future financial outlook from ''stable'' to ''negative.'' S&P said our country has ''very large budget deficits and rising government indebtedness—and the path to addressing these is not clear.''

Furthermore, just last week another credit rating agency, Moody's—if we needed another reminder—warned that our failure to reduce our growing deficit could prompt them to downgrade their outlook on our AAA rating to negative. Without a ''credible agreement on substantial deficit reduction''—this is Moody's talking—this could happen as soon as next month. This would have a devastating impact on our already struggling economy.

Reducing our Nation's debt will require us to work together to craft a serious plan. President Obama's proposal to balance budgets in part by raising taxes on businesses, in my view, would only make our economic circumstances worse.

Washington does not have a revenue problem; it has a spending problem. It is time for us to work together and pass a responsible budget to reduce our deficit this year, next year, and far into the future. The plan should include significant spending reductions, a balanced budget amendment to restrict Washington's future ability to borrow money that would put us right back in the mess we are in today, and should address our long-term unfunded mandates.

As John Adams once quipped: ''Facts are stubborn.'' And the facts tell us that Washington must change direction if we are to grow our economy and put people back to work. The failed economy we are experiencing and the financial collapse around the corner is the most expected economic crisis in our lifetime. We know what is going to happen if we do not act, and it would be immoral for us to look the other way or to kick the can down the road because the politics of these issues are too difficult to deal with.

Americans deserve leadership here in our Nation's Capital to confront these challenges and not to push them off to the next generation of Americans. If we do so, if we confront these issues correctly in a responsible way, businesses will succeed, profits will be made, employees will be hired, and Americans will again be able to live and pursue the American dream.

Mr. President, I yield the floor.

Mr. ISAKSON. Mr. President, I ask unanimous consent to speak in morning business for up to 10 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

QUALIFIED RESIDENTIAL MORTGAGES

Mr. ISAKSON. Mr. President, I commend the Senator from Kansas. I had no idea when I came to make my remarks that they would be so in keeping with a part of his speech with regard to regulation and what the regulatory regimen of the current administration is doing to economic improvement and economic development in the United States of America.

I rise for a moment to talk about the Dodd-Frank legislation, to talk about the qualified residential mortgage provision, and to talk about the six regulators of financial services and a recent decision they made.

Shaun Donovan, Ben Bernanke, Sheila Bair, Edward Demarco, John Walsh, and Mary Schapiro were challenged with carrying out and writing the rules of intent for Dodd-Frank. When they published, a few weeks ago—about 2 months ago now—the proposed rule on qualified residential mortgages, it created a firestorm and created a number of speeches on the floor of the U.S. Senate. It also created a letter from 39 Members of the U.S. Senate, which I ask unanimous consent be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

U.S. SENATE,
Washington, DC, May 26, 2011.

Hon. SHAUN L.S. DONOVAN,
Secretary, Department of Housing & Urban Development, 7th Street, SW, Washington, DC.

Hon. BEN S. BERNANKE,
Chairman, Board of Governors of The Federal Reserve System, 20th & Constitution Avenue, NW, Washington, DC.

Hon. SHEILA C. BAIR,
Chairman, Federal Deposit Insurance Corp., 17th Street, NW, Washington, DC.

Hon. MARY L. SCHAPIRO,
Chairman, Securities and Exchange Commission, F Street, NE, Washington, DC.

JOHN G. WALSH,
Acting Comptroller, Office of the Comptroller Of the Currency, E Street, SW, Washington, DC.

EDWARD J. DEMARCO,
Acting Director, Federal Housing Agency, G Street, NW, Washington, DC.

LADIES AND GENTLEMEN: We the undersigned intended to create a broad exemption from risk retention for historically safe mortgage products when we included the Qualified Residential Mortgage (QRM) exemption in the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The statute requires the QRM definition to be based on ''underwriting and product features that historical loan performance data indicate result in a lower risk of default,'' and provides clear guidance on the types of factors that can be used, including:

Documentation of income and assets;

Debt-to-income ratios and residual income standards;

Product features that mitigate payment shock;

Restrictions or prohibitions on non-traditional features like negative amortization, balloon payments, and prepayment penalties; and

Mortgage insurance on low down payment loans.

The proposed regulation goes beyond the intent and language of the statute by imposing unnecessarily tight down payment restrictions. These restrictions unduly narrow the QRM definition and would necessarily increase consumer costs and reduce access to affordable credit. Well underwritten loans, regardless of down payment, were not the cause of the mortgage crisis. The proposed regulation also establishes overly narrow debt to income guidelines that will preclude capable, creditworthy homebuyers from access to affordable housing finance.

The extensive additional requirements for QRMs in the proposed rule swing the pendulum too far and reduce the availability of affordable mortgage capital for otherwise qualified consumers. Many borrowers would simply be forced to pay much higher rates and fees for safe loans that nevertheless did not meet the exceedingly narrow QRM criteria. Sadly, in many cases, some creditworthy borrowers may not be able to get a mortgage at all.

Congress included the QRM to exempt safe, well-underwritten mortgages that have stood the test of time from the risk retention requirement. We urge you to follow our intent as you modify the proposed risk retention rule.

Sincerely,

Mary L. Landrieu, U.S. Senator; Kay R. Hagan, U.S. Senator; Johnny Isakson, U.S. Senator; Saxby Chambliss; Bob Casey, Jr.; Jeff Sessions; Richard Burr; Chris Coons; Ron Wyden; Mark Pryor; Scott P. Brown; Tom Carper; Robert Menendez; Claire McCaskill; Richard Blumenthal; Mike Enzi; Lindsey Graham; Roy Blunt; John Hoeven; Thad Cochran; Mike Crapo; John Barrasso; Max Baucus; Jeanne Shaheen; Kent Conrad; Joe Lieberman; Sheldon Whitehouse; Daniel K. Akaka; E. Benjamin Nelson; John Boozman; Mark Udall; Bernard Sanders; Michael F. Bennet; Debbie Stabenow; Jon Tester; Herb Kohl; Jeffrey A. Merkley; James E. Risch; Mark Begich.

Mr. ISAKSON. These 39 Senators wrote specifically to these regulators to express their concern with the possible effects of the proposed regulation that the regulators were proposing on qualified residential mortgages. I am pleased to say that a few days ago the six regulators extended the comment period from June 20 now to August 1. I have not talked to them, but I hope it is because they have been listening to speeches, they have been reading the comments, they have been seeing the testimony, and they understand, if left uncorrected, and if put in place, the current rule on qualified residential mortgages will be a second hit to what is already a very fragile U.S. housing market.

Just last week, the reports for the most recent month in terms of residential home sales saw the beginning of a second dip in residential housing. This morning the Wall Street Journal reported 40 percent of the homes in America that contain a second mortgage or an equity line of credit are now under water—40 percent.

One of the reasons they are is because prices are continuing to decline. One of the reasons prices are declining is the buyers are not there. It is a seller's market, we have too many foreclosures, and too many short sales.

The impact of the qualified residential mortgage amendment to Dodd-Frank was an amendment offered by Mrs. HAGAN, Ms. LANDRIEU, and myself—all with experience in housing and knowledge about the marketplace. We put it in because the original Dodd-Frank legislation said mortgage people making mortgages were going to have to hold risk retention of 5 percent in that mortgage, which basically would put most everybody in the mortgage business out of the mortgage business, except a handful of people. We put in the qualified residential mortgage amendment the specific parameters by which a mortgage could be exempt from risk retention, which were a downpayment of at least 20 percent or, if the downpayment was less than that, it had to carry private mortgage insurance to insure the effect of an 80 percent loan; second, qualified ratios that demonstrated the couple could pay back the mortgage under any reasonable assumption; third, the house had to appraise; fourth, the credit worthiness of the individual had to demonstrate they could pay for the mortgage.

Those were all the reasonable underwriting criteria that existed before the financial collapse of mid 2006–2007. The rule that was proposed by the six regulators, on which now they have extended the commentary time, completely avoided and made no mention of the private mortgage insurance requirement and said for a qualified residential mortgage to exempt risk retention, the buyer would have to put down at least 20 percent. Most buyers in America do not have at least 20 percent, and under current economic times and what has happened, they have a lot less than that.

But for years—and I was in the housing business for 33 years—the 90 and 95 percent conventional loans made in this country were the backbone of the loans that helped support the housing market, and those loans required a private mortgage insurance policy on any amount of loan exceeding 80 percent, up to 95 percent. We need the ultimate rule coming back from these regulators, by August 1, to contain that provision so as to exempt from risk retention any mortgage that meets the underwriting criteria, including private mortgage insurance on any amount above 80 percent, and up to 95 percent.

If we do not do it, I want to tell you what will be the outcome, and it is without question. You will remember, Mr. President, when we got into trouble in housing it was because we directed Freddie and Fannie to buy affordable housing loans, which became a consumer of subprime packages that were generated on Wall Street. Subprime packages were loans that had high coupon rates, and they were made to risky borrowers. They were intended to get more people into housing, but they became an abused process.

Because we directed Freddie and Fannie to buy that type of paper, it created a demand for that type of paper, which Wall Street fulfilled. So, in other words, you had a premium pricing on the coupon, which made the security attractive, but the risk was greater because the loans were to people with less good credit.

We have now gone the other way. The pendulum has swung 180 degrees the other way. With the pending rule being circulated, upon which this commentary time has been extended, if it goes into place, you will create 90 and 95 percent loans being priced just like loans that were subprimer priced because very few people will make those loans—only a few large lenders. They will price the interest rate on those loans high because of scarcity. In other words, a borrower borrowing 95 percent or 90 percent with private mortgage insurance will end up paying a premium—a premium in interest rate or discount points—in order to get that loan because there will not be a wide distribution or availability of that type of conventional financing.

The unintended consequence of the rule being proposed—which we, fortunately, have an extension on comment time—would create another ability for lenders with the capacity of risk retention to price a loan at such a rate that it is too high for the average consumer.

The other thing it is going to do is a lot of consumers who cannot get a qualified residential mortgage of 90 or 95 percent will be out of the housing market.

What is the result of that? The result of that is an extension of what the most recent figures demonstrated: lower demand, declining housing prices, and a protracting continuance of the worst housing recession in the history of the United States of America.

So I come to the floor today, first of all, to say thank you to the six regulators for extending the comment period; second, to urge my colleagues to urge the lending institutions, the real estate industry, the consumer interest groups, the housing advocacy groups, to have their input with these regulators on the proposed qualified residential mortgage rule, because if left unamended—as it currently is proposed by the regulators—it will make housing less affordable in America; the access to conventional credit less available in America; it will decline the demand that exists already, which is historically too low; it will protract the continuing decline of housing values in America; and it will cause our economy to continue to slide in an even deeper, deeper depression.

It is critically important what the Senator from Kansas said be recognized: Be sure when you pass a regulation that the unintended consequence does not cause a bigger problem than the problem you are trying to correct.

I admire our regulators. I appreciate the hard job we have given them. I appreciate the fact they have extended the comment time. I hope now they will also listen to the comments being made, come back, and make a qualified residential mortgage rule that includes the provision for private mortgage insurance on loans in excess of 80 percent and no more than 95 percent.

Mr. President, I yield the floor.

ADJOURNMENT UNTIL 9:30 A.M. TOMORROW

The PRESIDING OFFICER. Under the previous order, the Senate stands adjourned until 9:30 a.m. tomorrow.

Thereupon, the Senate, at 5:55 p.m., adjourned until Wednesday, June 8, 2011, at 9:30 a.m.

NOMINATIONS

Executive nominations received by the Senate:

THE JUDICIARY

MARGO KITSY BRODIE, OF NEW YORK, TO BE UNITED STATES DISTRICT JUDGE FOR THE EASTERN DISTRICT OF NEW YORK, VICE ALLYNE R. ROSS, RETIRED.

JESSE M. FURMAN, OF NEW YORK, TO BE UNITED STATES DISTRICT JUDGE FOR THE SOUTHERN DISTRICT OF NEW YORK, VICE ALVIN K. HELLERSTEIN, RETIRED.

SUSIE MORGAN, OF LOUISIANA, TO BE UNITED STATES DISTRICT JUDGE FOR THE EASTERN DISTRICT OF LOUISIANA, VICE G. THOMAS PORTEOUS, JR.