

September 22, 2008

Dear Member of Congress:

The undersigned organizations strongly urge you to include court-supervised mortgage restructuring for American homeowners to allow them to save their homes in any legislation that would use our tax dollars to bail out the financial services industry from its self-imposed crisis. Purchasing subprime and Alt A private securities will not provide the government with any legal ability to modify loans and keep families in their homes, which is necessary to stop the crisis. We cannot support legislation that fails to help the millions of families in danger of losing their homes, while spending hundreds of billions of dollars of taxpayer money to bail out those who caused the problem.

Ever since the mortgage foreclosure crisis erupted into the public eye last year, our organizations have advocated Chapter 13 judicial modification relief as the most effective way, **at no cost to taxpayers**, to keep homeowners from losing their homes. We do not believe that this crisis can be resolved solely through voluntary efforts on the part of the financial services industry.

It is no longer possible to trust the industry to dictate the terms of the public policy discussion about the mortgage foreclosure crisis. First, the industry insisted that there would be no mortgage foreclosure crisis. They were wrong. Then they insisted that the crisis would be “contained,” with minimal harm to homeowners and the economy. They were wrong again. Today, as foreclosures continue to dwarf the number of voluntary loan modifications, threatening our entire economy in the process, the industry is arguing that a limited solution (without Chapter 13 relief for homeowners) will take care of the problem. Given the industry’s track record, it seems reasonable to conclude that they are wrong yet again.

It must be recognized that, even if a government entity buys the debts of financially distressed companies, the structure of most of the troubled loans will still often prevent foreclosure relief. Why? First, most troubled mortgages have been sold into highly-complex securities, which have themselves been carved up and sold to thousands of investors around the world. The government would have to, in essence, put all the pieces of the carved-up loans back together in order to modify them. Second, many borrowers have “piggyback” loans or second mortgages, and the government would have to buy those loans as well in order to prevent foreclosure. In short, it is an illusion to assume that bailing out financial institutions is the same thing as providing relief to foreclosure-plagued American homeowners. The only way to make sure that relief is achieved is to give Main Street Americans what they need: Chapter 13 bankruptcy relief.

We are fully aware that the financial services industry has opposed giving homeowners this option, arguing that it would make loans more expensive and cause instability in the marketplace. We ordinarily would take such concerns seriously. In the current environment, however, such arguments border on the preposterous, given that millions of borrowers are now trapped in loans that are *already too expensive* – and given the massive instability that *already exists* in the marketplace due to years of reckless, predatory lending practices. It has been recognized by every expert, including the Secretary of the Treasury and the Chairman of the

Federal Reserve Board, that the market will stabilize only when there is an end to the cycle of widespread foreclosures driving down home prices and financial asset values (assets that now will be owned by the taxpayers).

For these reasons, we ask that you help homeowners at the same time that you consider legislation to bail out the industry, by opening the door to Chapter 13 relief. Americans facing foreclosure need to know that Washington is not going to ignore them in a headlong rush to bail out the banks and brokerage firms that engaged in the reckless lending and irresponsible risk-taking that created this mess in the first place.

Thank you for your consideration. If you have any questions, please contact Rob Randhava of the Leadership Conference on Civil Rights at (202) 466-6058 or Maureen Thompson at (703) 276-3251.

Sincerely,

Association of Community Organizations for Reform Now (ACORN)
American Federation of Labor – Congress of Industrial Organizations (AFL-CIO)
Association for Enterprise Opportunity
Black Leadership Forum
Boston Community Capital
CDFI Coalition
CEDA Community Development Fund
Center for Responsible Lending
Community Capital Works
Community Capital of Maryland
Consumer Action
Consumer Federation of America
Consumers Union
Greater New Orleans Fair Housing Center
Lawyers' Committee for Civil Rights Under Law
Leadership Conference on Civil Rights
Low Income Investment Fund
National Association for the Advancement of Colored People (NAACP)
National Association of Consumer Advocates
National Association of Consumer Bankruptcy Attorneys
National Community Reinvestment Coalition
National Consumer Law Center (on behalf of its low income clients)
National Council of La Raza
National Fair Housing Alliance
National Housing Law Project
National Housing Trust Community Development Fund
National Policy and Advocacy Council on Homelessness
National Training and Information Center
North Carolina NAACP Housing Committee
Opportunity Finance Network

Rainbow Push Coalition
Service Employees International Union
Southern Coalition for Social Justice
U.S. PIRG
Women's Opportunities Resource Center