

May 1, 2007

The Honorable Barney Frank
Chairman
Financial Services Committee

The Honorable Spencer Bachus
Ranking Member
Financial Services Committee

The Honorable Maxine Waters
Chairwoman
Housing and Community Opportunity
Subcommittee

The Honorable Judy Biggert
Ranking Member
Housing and Community Opportunity
Subcommittee

Dear Chairman Frank, Ranking Member Bachus, Chairwoman Waters, and Ranking Member Biggert:

As community, consumer, and civil rights organizations working on behalf of low- and moderate-income homebuyers, we urge you to support the amendment sponsored by Congressman Al Green that would impose duties on the expanded array of mortgage brokers that will be able to originate Federal Housing Administration (FHA) loans. It is our understanding that Representative Green's amendment will be offered as a secondary amendment during tomorrow's mark-up of H.R. 1852, the "Expanding American Homeownership Act of 2007."

For many low- and moderate-income and disenfranchised borrowers, mortgage brokers are a primary resource for purchasing a home. Unfortunately, the integrity of this relationship has not been well protected. We are concerned that scraping the current annual audit and net worth requirements and substituting these with a small surety bond requirement could expand the pool of mortgage brokers allowed to originate FHA mortgages. However, it is also likely to result in a rise in bad actors using FHA products as a vehicle to take advantage of borrowers and to defraud American tax payers.

Therefore, we believe that at a minimum any expansion of the privilege of originating FHA loans should be balanced by an increase in consumer safeguards. We believe Representative Green's amendment properly addresses this by requiring mortgage brokers and originators to treat their clients fairly, establish their ability to repay the loan sold to them, and refrain from channeling clients to high-priced or risky mortgages unnecessarily. Additionally, should brokers violate these duties, consumers are provided effective remedies, such as a private right of action, under the amendment.

Families trust their mortgage providers to adhere to a certain level of professionalism, including representing their interests. Many borrowers believe their mortgage broker is required to get them the best deal. If FHA is to continue providing safe and affordable homeownership opportunities for all families, brokers originating FHA mortgage loan products must be held accountable for any loans that do not meet a long-term affordability standard.

We applaud your leadership, as well as that of Housing and Community Opportunity Subcommittee Chairwoman Waters and other members of the Financial Services Committee, for their dedication to improving and expanding FHA in a responsible manner. As such, we respectfully request your support of Representative Al Green's amendment during consideration of H.R. 1852. Should you have any question or concerns, please do not hesitate to contact our organizations.

Sincerely,

ACORN
Center For Responsible Lending
Consumer Federation of America
National Association of Consumer Advocates
National Consumer Law Center
National Council of La Raza