October 1, 2014

The Honorable Mel Watt  
Federal Housing Finance Agency  
400 7th Street, SW  
Washington, DC 20024

Dear Director Watt,

On behalf of the undersigned faith, community, labor, civil rights and consumer organizations we would like to again offer our congratulations on assuming the leadership of the Federal Housing Finance Agency (FHFA). We are pleased to see the measures you are beginning to put into place that emphasize making homeownership and housing financing accessible and affordable and keeping families in their homes. However, the families and neighborhoods our groups work with continue to experience widespread devastation from the ongoing foreclosure crisis.

We write to you now on behalf of the millions of families who are still struggling with negative home equity, as well as those who are in danger of losing their homes through foreclosure, and the neighbors and communities hurt by foreclosures around them. The need to swiftly reverse the GSE policy on principal reduction remains a major priority for many organizations and community members.

As you know, in too many communities the housing and foreclosure crisis are not over. Millions of homeowners are still underwater, and those homeowners tend to be concentrated in hard hit neighborhoods of color; foreclosures overall remain significantly elevated above pre-crises levels. As a result, families are needlessly losing their homes, children are being uprooted from their schools and neighborhoods are being further destabilized. As long as principal reduction is not an option for GSE loans, homeowners are denied access to the loan modification tool which the evidence shows is the most successful in preventing foreclosures. A 2012 study by Amherst Securities Group found that principal reduction is the most effective form of mortgage modification, with only 12% of borrowers re-defaulting on such modifications, compared with 23% for interest rate reduction modifications and 30% for forbearance modifications.1

We urge you to move forward quickly to end the ban on principal reduction as a loss mitigation strategy and bring policies at the GSEs in line with those that are already the norm elsewhere in

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1 Amherst Securities Group LP, Modification Effectiveness: The Private Label Experience and Their Public Policy Implications, May 30, 2012, p.6
the market. This step would be consistent with your 2014 Strategic Plan to serve the needs of homeowners, communities, and taxpayers, with the conclusions of data reviewed by analysts at FHFA, and with practices already in place through Treasury HAMP and other programs.

Many economists and experts on the housing and securities markets have argued for principal reduction as a key element in addressing the housing crisis. Mark Zandi, Chief Economist at Moody’s Analytics, testified before the Senate Banking Committee that encouraging more principal reductions offers “the best odds of ending the housing crash more quickly and definitively.” Other supporters include Ben Bernanke, former Chairman of the Board of Governors of the Federal Reserve; William Dudley, President of the Federal Reserve Bank of New York; Martin Feldstein, Chairman of the Council of Economic Advisers under President Reagan; and Alan Blinder, former Vice Chairman of the Federal Reserve.

We urge you to harness your agency’s powers, resources, and financial expertise to prevent more foreclosures and reduce negative equity, and to act expeditiously to revise FHFA policy against principal reduction in order to help American homeowners and communities.

Sincerely,

National Signatories

AFL-CIO
Action for the Common Good
American Civil Liberties Union Foundation
Americans for Financial Reform
Cambridge Credit Counseling Corp
Center for Popular Democracy
Center for Responsible Lending
CNC
Color of Change
Consumer Action
Credit Advisors Foundation
Home Defenders League
HomeFree-USA
Jobs With Justice
The Leadership Conference on Civil and Human Rights
Main Street Alliance
NAACP
National Consumer Law Center (on behalf of its low-income clients)
National Council of La Raza
National Fair Housing Alliance
National Housing Resource Center
National People's Action
NID-HCA
PICO National Network
Service Employees International Union
Telamon Corporation

State and Local Signatories
Abayomi CDC
A Just Harvest/Northside P.O.W.E.R. (IL)
Action NC
Affordable Homes of South Texas, Inc.
Affordable Housing Centers of Pennsylvania
Albany County Rural Housing Alliance
Alliance for a Just Society
Alliance of Californians for Community Empowerment (ACCE)
American Friends Service Committee Southeast New England (AFSC SENE)
Arizona Housing Alliance
Asian-American Homeownership Counseling, Inc.
AZ Foreclosure Prevention Task Force
Bucks County Housing Group
California Reinvestment Coalition
CAMBA Legal Services, Inc.
CCBHCH
CCCS of Greater Greensboro, A Division of Family Service of the Piedmont Inc.
CEI
Center for NYC Neighborhoods
Centro Autonomo
CFORM/Covenant Community Development Corporation
Champlain Housing Trust
Chattanooga Neighborhood Enterprise, Inc.
CHDC
City Life Vida Urbana
Clarifi
Coastal Enterprises, Inc.
Colorado Foreclosure Resistance Coalition
Colorado Progressive Coalition
Communities United (Maryland)
Communities United for Action (OH)
Community Action Human Resources Agency
Community Development Services
Community Housing Council of Fresno
Community Legal Services, Philadelphia
Community Services of Nevada
Community Training Works, Inc. (CTW)
Connecticut Citizen Action Group
Connecticut Fair Housing Center
Consumer Credit Counseling Service of Buffalo, Inc.
Consumer Credit Counseling Service of West Florida, Inc
Consumer Credit Counseling Service of West Georgia/East Alabama
Credit & Homeownership Empowerment Services, Inc.
Credit Card Management Services Inc
Cypress Hills LDC
DASH for LaGrange, Inc.
Durham Regional Financial Center
East LA Community Corporation
Eastside Community Development Corporation
Empire Justice Center
ESOP: Empowering and Strengthening Ohio's People
Family Credit Management Services
Financial Pathways of the Piedmont
Florida Institute for Reform and Empowerment
Genesis Housing Development Corporation
GO Northwest HRC
Greater Rochester Housing Partnership
Greater Southwest Development Corporation
Green Forest CDC
HELP Community Development Corp.
HNDP, Inc.
HomeFree-USA
HomeOwnership Center of Greater Dayton
Homes on the Hill, CDC
Housing & Community Development Network of NJ
Housing Action Illinois
Housing and Education Alliance
Housing Help Inc.
Housing Opportunities of Beaver County
Housing Options & Planning Enterprises, Inc.
Housing Resource Center of Monterey County
HPP CARES
Human Development Services of Westchester
Idaho Community Action Network
Illinois/Indiana Regional Organizing Network
InCharge Debt Solutions
Inland Fair Housing and Mediation Board
Intercultural Family Services, Inc.
Iowa Citizens for Community Improvement
ISAIAH
JASA/Legal Services for the Elderly in Queens
Jewish Community Action

www.ourfinancialsecurity.org
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<td>Joseph Corporation</td>
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<td>Kingdom Community Inc.</td>
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<td>Long Island Legal Services</td>
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New Economy Project
New Jersey Citizen Action
Newark/Essex Foreclosure Taskforce
Newtown Community Development Corporation
NJ Communities United
Nobody Leaves Mid-Hudson (NY)
Northern Circle Indian Housing Authority
Northfield Community LDC
Northwest Side Housing Center
NYS Coalition for Excellence in Homeownership Education
Occupy Denver
Occupy Homes MN
Occupy Our Homes Atlanta
Operation New Hope, Inc.
Oregon Action
Organize Now
Partners In Community Building, Inc.
Pennsylvania Interfaith Community Programs, Inc.
PLANevada
POWER (CA)
Pratt Area Community Council (PACC)
Progressive Leadership Alliance of Nevada
Project LIFT
Pure Hearts R Us
Queens Legal Services
Real Estate Education And Community Housing Inc
Reinvestment Partners
Rhode Island Jobs with Justice
Right To The City Alliance
Rights for All People (CO)
Rockland Housing Action Coalition
RUPCO
Rural Community Assistance Corporation
SafeGuard CCS
SEIU Local 284
Shalom Center for T.R.E.E. of Life
South Suburban Housing Center
Spanish Coalition for Housing
Sunflower Community Action (KS)
The Development Corporation of Northwest Baltimore
The Homeowners Employment Corporation
The Parodneck Foundation
The Reset Coalition
Union County Manager & Union County Foreclosure Task Force Chairman
Unite Here Local 217
Urban League of Hampton Roads, Inc.
Urban League of Morris County
Virginia Organizing
Virginia Organizing
VOCAL-NY
Washington Can
Washington Community Action Network
West Chester Residential Opportunities Inc.
Westchester Residential Opportunities Inc
Woodstock Institute
Working in Neighborhoods (OH)
York County Community Action Corporation