



Americans for Financial Reform
1629 K St NW, 10th Floor, Washington, DC, 20006
202.466.1885

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-crisis 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

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, In.c

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
ISAI AH
JASA/Legal Services for the Elderly in Queens
Jewish Community Action

Joseph Corporation
Kingdom Communiy Inc.
LAMB Inc
Life of Victory International Christian Ministries
Long Island Legal Services
Love Progressive Center
Lower 9th Ward NENA
Lynn United for Change (MA)
Main Street Alliance of Oregon
Maine People's Alliance
Maine People's Resource Center
Maine Small Business Coalition
MaineStream Finance/Penquis
Make the Road NY
Margert Community Corporation
Massachusetts Communities Action Network
MFY Legal Services Inc.
MHANY Management, Inc
Minnesota Neighborhoods Organizing for Change (NOC)
Minnesotans for a Fair Economy
Missourians Organized for Reform and Empowerment (MORE)
NAACP New Jersey State Conference
NANAY Community Economic Development Corporation
Neighborhood Home Solutions
Neighborhood House, Inc.
Neighborhood Housing Services of Greater Cleveland
Neighborhood Housing Services of Phoenix, Inc.
Neighborhood Nonprofit Housing Corporation
NeighborWorks Alliance of NYS
NeighborWorks Green Bay
NeighborWorks Orange County

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

