

August 20, 2015

VIA ELECTRONIC MAIL

Secretary Julián Castro
U.S. Department of Housing and Urban Development
451 7th Street S.W.
Washington, DC 20410

Dear Secretary Castro:

On behalf of the clients, communities, and neighborhoods we represent, we urge you to reverse HUD's recent decision to remove homeowner-protective language from FHA's form single family note and mortgage. HUD's action harms the communities that the FHA program is intended to support while at the same time undermining enforcement of HUD's own rules and the health of the insurance fund. We request a meeting with relevant HUD staff to discuss this decision.

For over twenty-five years, HUD has required lenders to include language in both the FHA form note and FHA form mortgage that explicitly limits a lender's right to foreclose if the lender has failed to satisfy HUD's mortgage servicing regulations. This protective language is part of the contracts between homeowners and the lenders, and reinforces the rules governing lenders' right to foreclose that are already in the regulations.

HUD's decision to remove the protective language will undermine homeowners' ability to defend against unnecessary foreclosures, especially in states that lack a judicial foreclosure process. Homeowners who prevent unnecessary foreclosures not only save their homes and stabilize their neighborhoods, but they also prevent lenders from receiving unearned insurance claims.

While we commend FHA for adopting more stringent quality control measures and maintaining the National Servicing Center, many homeowners continue to face foreclosure without being offered FHA's broad array of loss mitigation tools. Moreover, government oversight generally comes too late for families to regain their homes after a wrongful foreclosure.

HUD removed the language from the forms as part of its issuance of its Single Family Housing Policy Handbook without providing any notice to the communities it serves that such a change was under consideration and without any opportunity for stakeholders to comment. HUD simply posted the revised forms on its website without explaining its decision. Even consumer advocates in regular contact with HUD about loss mitigation and other issues were never told that this change was under consideration.

This language is of utmost importance to families seeking to save their homes from foreclosure. Courts across the country have relied on this language to stop lenders from foreclosing without following HUD's rules. These decisions not only help the families and neighborhoods directly involved, but they also prevent non-compliant lenders from receiving unearned insurance claim payments from HUD's fund.

Additionally, removing this language will disproportionately impact communities of color, who rely heavily on the FHA program to purchase homes. According to HUD's most recent Annual Report to Congress, FHA insures approximately 47 percent of purchase mortgages for African American and Hispanic borrowers. The inability to prevent unnecessary foreclosures will deepen the already significant challenges facing these communities.

HUD has a statutory obligation to support and stabilize homeownership while maintaining a solvent insurance fund. HUD's decision undermines both of those goals. We urge HUD to restore the original language so our homeowners, communities, and neighborhoods will continue to receive the anti-foreclosure protections so important to them.

Sincerely,

Advocates for Basic Legal Equality, Inc.
Affordable Housing Alliance
Affordable Housing Partnership of the Capital Region
Alliance for a Just Society
Americans for Financial Reform
California Reinvestment Coalition
Center for NYC Neighborhoods
Center for Responsible Lending
Columbia Legal Services
Community Legal Services of Philadelphia, Inc. (on behalf of its low-income clients)
Connecticut Fair Housing Center
Consumer Action
Consumer Federation of America
Consumers Union
Corporation for Enterprise Development (CFED)
Empire Justice Center
Florida Alliance for Consumer Protection
Home Repair Services
Housing and Economic Rights Advocates (HERA)
Jacksonville Area Legal Aid, Inc.
Leadership Conference on Civil and Human Rights
Legal Aid of Manasota, Inc.
Legal Aid Society of Southwest Ohio, LLC
MFY Legal Services, Inc.
Michigan Legal Services
Michigan Poverty Law Program
Mountain State Justice, Inc.
Mutual Housing Association of New York, Inc. (MHANY)
NAACP
National Association of Consumer Advocates
National Community Reinvestment Coalition (NCRC)
National Consumer Law Center (on behalf of its low-income clients)
National Council of La Raza (NCLR)
National Fair Housing Alliance
National Housing Law Project
National Housing Resource Center

National Urban League
Neighborhood Housing Services of the Inland Empire (NHSIE)
New Economy Project
North Carolina Justice Center
Northwest Consumer Law Center
Ohio Poverty Law Center
Philadelphia Unemployment Project
Predatory Lending Clinic, Legal Services Center of Harvard Law School
Public Counsel
Putnam County Housing Corporation
Rural Community Assistance Corporation
Senior Citizens' Law Office, Inc. (SCLO)
The Chicago Legal Clinic, Inc.
The Justice Center of Southeast Massachusetts, LLC, a Subsidiary of South Coastal
Counties Legal Services, Inc.
The Legal Aid Society of Cleveland
U.S. PIRG
United South Broadway Corporation
West Side Neighborhood Housing Services, Inc.
Woodstock Institute