

June 25, 2013

The Honorable Bob Corker
425 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Mark Warner
475 Russell Senate Office Building
Washington, DC 20510

Dear Senator Corker and Senator Warner:

The undersigned organizations are writing in response to the legislation you introduced today, the Housing Finance Reform and Taxpayer Protection Act of 2013.

We commend you and your co-sponsors for your bipartisan initiative to reform the nation's housing finance system, reform that is urgently needed. A new housing finance system will determine not only the sustainability of a robust housing market, but also future opportunities for millions of families and economic growth for the nation as a whole.

Our goal is a system that restores balance to the housing market and provides credit to a broad and diverse population, rather than one in which credit and housing choices are more costly, more limited, and less sustainable, especially for low- and moderate-income households, households of color, and rural households. Without broad access to credit, neither buyers nor sellers can transact business as they would like, which could once again destabilize the home values that are finally stabilizing.

We are extremely glad to see the bill includes an explicit government backstop to private capital. We believe such a backstop is necessary to provide ample liquidity in the system and to support the 30-year-fixed rate mortgage, a product that has played a major role in supporting homeownership for America's families. We do, however, suggest that the legislation explicitly clarify that traditional rate investors purchasing mortgage-backed securities will still be fully protected, even as private capital moves into the first-loss position for the credit risk associated with these securities.

Other strengths of the bill include continuing and expanding funding for the National Housing Trust Fund and Capital Magnet Fund, recognizing the importance of providing access to the system for small originators, including multifamily finance as part of the bill, and calling for a single securitization platform as part of the responsibilities of the Federal Mortgage Insurance Corporation (FMIC).

Ultimately, however, this bill fails to place the needs of families at the center of the legislation, focusing instead mainly on lenders and investors. The structures and processes of the secondary market are not ends in and of themselves; rather, they are a means to provide housing to our nation's families. Placing the goal of access to affordable, sustainable credit at the center of the bill's purpose and FMIC's mission will provide the greatest benefit in the long run not only to families, but also to lenders and investors, and will also protect taxpayers from future bailouts.

Some specific changes that would be necessary for this legislation to meet our goals include the following:

- Ensure that the mechanism for funding the National Housing Trust Fund and Capital Magnet Funds fully funds the allocation under all economic circumstances and that the Trust Fund directs at least as much funding to rental housing as was provided under HERA as well as preserves HERA's income targeting for rental housing.
- To provide flexibility for the system to serve low-wealth borrowers, remove the five percent down-payment requirement from the legislation and instead permit the FMIC to address down-payment requirements in coordination with other regulators.
- Require servicers to engage in loss mitigation that aims to keep borrowers in their home and avoid foreclosure when doing so does not harm the interests of the investors as a whole and ensure portfolio capacity to handle buying defaulted loans out of securities without encouraging servicers to foreclose.
- Combat lender tendencies to ration credit or "cream" the market by requiring efforts to serve all population segments, housing types, and geographical locations.
- Develop a more robust regulatory mechanism to monitor the housing finance system for safety and soundness, consumer protection, and access and affordability, working in coordination with other relevant regulators.
- Specify that one member of the Board of Directors have a background in working with individual borrowers from the consumer perspective.
- Ensure that the multifamily financing capacity creates affordable rental units.
- Remove the requirement for a form of accounting (so-called "fair value accrual accounting") that will overstate the true cost of the insurance fund, thereby requiring consumers to pay more for their credit than is necessary.

For more detail on how the secondary market can support a broad, accessible and affordable housing market, we refer you to a new report by the Center for American Progress and the National Council of La Raza entitled, "[Making the Mortgage Market Safe for America's Families.](#)" That report reviews the needs in the current housing market and provides detailed suggestions on how to incorporate these principles into any new structure.

In the coming weeks and months, we look forward to working with you to strengthen this promising legislation. Together, we can build a strong, sustainable housing finance system that serves all our nation's families.

Sincerely,

Center for American Progress

Center for Responsible Lending

Conrad Egan, former President and CEO, National Housing Conference

Consumer Action

Consumer Federation of America

The Greenlining Institute

The Haas Institute for a Fair and Inclusive Society, University of California-Berkeley

Housing Partnership Network

The Kirwan Institute for the Study of Race and Ethnicity, the Ohio State University

The Leadership Conference on Civil and Human Rights

Janneke Ratcliffe, Executive Director, UNC-Chapel Hill Center for Community Capital

Mark Willis, Senior Research Fellow, Furman Center for Real Estate and Urban Policy, New York University

NAACP

National Consumer Law Center (on behalf of its low income clients)

National Council of La Raza

National Fair Housing Alliance

National Housing Conference

National Housing Resource Center

National Housing Trust

National People's Action

The Opportunity Agenda

PolicyLink

Poverty & Race Research Action Council

Stewards of Affordable Housing for the Future

Woodstock Institute