

May 14, 2008

The Honorable Christopher Dodd  
Chairman  
Senate Committee on Banking, Housing  
and Urban Affairs  
534 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Richard Shelby  
Ranking Member  
Senate Committee on Banking, Housing  
and Urban Affairs  
534 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Dodd and Ranking Member Shelby:

The Senate Banking Committee will be holding a mark-up tomorrow to consider two important housing measures – the Federal Housing Finance Regulatory Reform Act and the HOPE for Homeowners Act. Both measures are of considerable importance to the constituencies served by the undersigned civil rights, consumer, community reinvestment and business organizations. We commend the Chairman, Senator Reed, and other members of this Committee for their leadership and ongoing dedication to developing this legislation.

*The Federal Housing Finance Regulatory Reform Act –*

There is no question that consumers and communities across the nation have huge stakes in the outcome of GSE regulatory reform legislation. Government Sponsored Housing Enterprises – Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System – are vital to the nation’s housing finance system. These publicly chartered and privately capitalized companies make important contributions to the liquidity and stability of the mortgage market and help to expand opportunities for homeownership and affordable rental housing.

We are pleased that this legislation establishes a stronger regulatory structure to provide financial and comparable mission oversight for the GSEs and the Federal Home Loan Banks. Conditions have changed considerably since 2003, when GSE regulatory reform was first placed on the congressional agenda. These are difficult times for the housing market and for many homeowners, particularly the hundreds of thousands currently at risk of losing their homes through foreclosures due to irresponsible lending practices and faulty mortgage products. The current mortgage crisis further underscores the need for strong and financially sound GSEs to continue to provide a steady source of capital to the mortgage market. A large GSE presence is needed to help families faced with

foreclosure. Thus, a strong single regulator is viewed by many as important for ensuring ongoing public confidence in the operations of the GSEs.

We also support the provisions in the Committee Print that promote Fannie Mae's and Freddie Mac's further commitment to fair and sustainable homeownership and affordable rental housing for all.

The GSEs are accorded various privileges that provide them with some benefits not available to other private corporations. In return, they are asked to fulfill public purposes while operating as privately capitalized, for-profit entities. We believe that the GSEs have accomplished much, both in terms of market innovation and through their mortgage purchase activities, to expand affordable housing capital for many low- and moderate-income and minority households. However, much more remains to be done.

Key provisions we support include the following:

- Establishment of an Affordable Housing Block Grant and a Capital Magnet Program to be funded with annual contributions from Fannie Mae and Freddie Mac. These funds would be targeted largely to the particularly pressing production, preservation, and rehabilitation housing needs of extremely low-income and very low-income families. However, we urge that the Committee Print be modified to substitute a National Affordable Housing Trust Fund for the proposed Affordable Housing Block Grant.
- Tightened low-income housing goals to 80% and 50% of area median income; creation of a new multi-family housing goal; and establishment of new home refinance goals.
- A new duty for Fannie Mae and Freddie Mac to serve certain designated underserved markets, either by borrower type, market segment, or geography.
- Prevention of the purchases of mortgages or other equivalent transactions featuring loan products whose terms are contrary to good lending practices.
- Improvements to the publicly available GSE database by providing for the same data that mortgage lenders are required to report under the Home Mortgage Disclosure Act (HMDA).

Our strong interest in affordable housing extends to other aspects of regulatory restructuring as well. We recognize that a number of these areas have been highly controversial and have hampered the legislation from being acted upon before now. Certainly the duties and authorities of the new director to set capital requirements and impose restrictions on the GSEs' retained portfolios are among the most controversial of these items. It is our view that stronger financial oversight powers provided to the new regulator must be commensurate and appropriate with the GSEs' status as public purpose

institutions and not work to diminish the ability of these entities to serve their affordable housing mandates.

*HOPE for Homeowners Act –*

The establishment of the HOPE for Homeowners Program developed by Chairman Dodd will also be considered as part of Thursday's mark-up. This measure reflects the recognition that voluntary actions to modify loans to date have not occurred at the pace needed to keep many distressed homeowners in their homes. The Chairman's bill provides for greater use of the FHA program to open new avenues for homeowners facing foreclosure to refinance into government insured, long-term sustainable mortgages. It creates sustainable mortgages to preserve homeownership and family wealth, and facilitates prompt action by relying on existing institutions without bailing out lenders or investors, and without placing taxpayers at undue risk.

How much of a solution this new proposal represents will depend upon the degree to which the mortgage industry steps up to the plate and expands its use of mortgage balance write downs. The Committee should be prepared to adopt supplemental legislative measures should industry support for this new program not be sufficient.

We look forward to the Committee acting on both of these measures.

Sincerely,

ACORN (Association of Communities for Reform Now)  
 Center for Responsible Lending  
 Consumer Federation of America  
 Cuban American National Council  
 Dominican American National Roundtable  
 Housing Assistance Council  
 Leadership Conference on Civil Rights  
 League of United Latin American Citizens (LULAC)  
 Mexican American Legal Defense Fund (MALDEF)  
 National Association for the Advancement of Colored People (NAACP)  
 National Association of Consumer Advocates  
 National Community Reinvestment Coalition  
 National Consumer Law Center (on behalf of its low-income clients)  
 National Council of La Raza  
 National Fair Housing Alliance  
 National NeighborWorks Association  
 U.S. Hispanic Chamber of Commerce

