

February 25, 2008

Members
U.S. Senate
Washington, DC 20510

***SUPPORT S. 2636, the Foreclosure Prevention Act and
Title IV to allow for modification of home mortgages in bankruptcy***

Dear Senator:

The undersigned represent a diverse group of consumer, civil rights, labor, retiree, housing, lending and community organizations. We are writing to urge you to support S. 2636, the Foreclosure Prevention Act, and especially Title IV of the bill, which will allow for modification of mortgages in bankruptcy. The court-supervised modification provision is a commonsense solution that will help families save their homes without any cost to the U.S. Treasury, while ensuring that lenders recover at least what they would in foreclosure.

Predatory lending practices and slumping real estate markets threaten hundreds of thousands of American families with the imminent loss of their homes to foreclosure. For many families, the triggering event will be a catastrophic rate increase on an inappropriate "exploding" subprime adjustable-rate mortgage loan. As devastating as foreclosures have been to date, the worst is yet to come. Foreclosures are expected to accelerate dramatically during 2008, when a large number of loans are scheduled for a rate reset.

This nationwide crisis engulfs not only individual families, but neighborhoods and entire communities, as well. One solution to this serious problem is to give consumers on the brink of losing their homes more flexibility to restructure their loans in bankruptcy. The bankruptcy safety net that permits modification of a loan to save a yacht, vacation home, commercial real estate or family farm currently is not an option for a family seeking to save a primary residence. In a manner that is both fair and also urgently needed, S. 2636 would eliminate this inequity in the treatment of American homeowners.

It should be understood that the narrowly crafted remedy contained in S. 2636 does not reopen the Bankruptcy Act of 2005. Rather, it addresses the bankruptcy legislation enacted in 1978 that excludes loans for primary residences from those loans that may be modified in a Chapter 13 bankruptcy. At that time, mortgage loans were nearly all fixed-interest rate instruments with low loan-to-value ratios and were rarely themselves the source of a family's financial distress. This is no longer the case. Preventing the modification of home loans for primary residences makes no sense in an age of subprime exploding ARMs where the mortgage itself causes financial crisis.

While the various voluntary programs that the industry has announced in recent weeks and months are a welcome acknowledgement of the magnitude of the situation, they do nothing to negate the urgent need for this legislation.

We strongly urge you to support S. 2636 and especially Title IV of the legislation, which is an urgently needed reform to combat home foreclosures. If you have any questions or need additional information, please contact Rob Randhava, Leadership Conference on Civil Rights, at 202-466-6058 or Ellen Harnick, Center for Responsible Lending, at 919-313-8553.

Sincerely,

AARP
ACORN
AFL-CIO
Black Leadership Forum
Center for Responsible Lending
Consumer Action
Consumer Federation of America
Consumers Union
International Union, United Auto Workers
Lawyers Committee for Civil Rights Under Law
Leadership Conference on Civil Rights
National Association for the Advancement of Colored People (NAACP)
National Association of Consumer Advocates
National Association of Consumer Bankruptcy Attorneys
National Association of Neighborhoods
National Community Reinvestment Coalition
National Consumer Law Center (on behalf of its low-income clients)
National Council of LaRaza
National Fair Housing Alliance
National Neighborworks Association
National Policy and Advocacy Council on Homelessness
Opportunity Finance Network
Service Employees International Union
U.S. Conference of Mayors
U.S. PIRG