



Leadership Conference on Civil Rights

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Support H.R. 3609, the “Emergency Home Ownership and Mortgage Equity Protection Act”

April 22, 2008

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Wade J. Henderson

Dear Representative:

We, the undersigned organizations, strongly urge you to support the bipartisan substitute version of H.R. 3609, the “Emergency Home Ownership and Mortgage Equity Protection Act.” This legislation will help hundreds of thousands of families stay in their homes while they repay their mortgage debt. It will also help avoid the decreased property values and increased crime in neighborhoods that come with concentrations of foreclosures.

With foreclosure rates continuing to accelerate, Congress needs to stem the tide quickly. Despite industry-led, voluntary efforts such as “Project Lifeline” and the Hope Now Alliance, countless families are expected to be foreclosed upon in this crisis because they entered into abusive, equity-stripping loans with little or no underwriting. Voluntary industry efforts are not enough.

Moreover, most proposals in Congress will take several months or longer to implement, leaving those in immediate danger of foreclosures at the mercy of failed industry policies. For example, the “FHA Housing Stabilization and Homeownership Retention Act of 2008” (H.R. 5830) – a leading proposal in Congress – has the potential to provide relief to troubled homeowners. However, we are concerned that the voluntary nature of the legislation will not be enough to help homeowners in danger of foreclosure. In order to be successful, this and other proposals should include incentives for the industry to re-write bad loans and provide a safety net to families that may otherwise fall through the cracks. H.R. 3609 accomplishes this goal and should be added into any final floor package.

Today, bankruptcy judges are prohibited from modifying mortgage debt on primary residences, even though they have the discretion to do so for any other securitized debt, such as investment properties, commercial properties, vacation homes, yachts, and family farms. H.R. 3609 would give struggling homeowners a last resort through the means-tested Chapter 13 bankruptcy process. Bankruptcy courts would be able to 1) reduce the principal on mortgages to reflect the current value of the home, while providing a vehicle for lenders to recover the full fair market value; 2) reset interest rates to affordable-but-fair levels; and 3) eliminate many abusive fees. Families would continue paying back their debts; they would not be let “off the hook.”

Taking a pragmatic approach, the bipartisan Chabot-Conyers substitute would only affect existing subprime and nontraditional loans, sunset after seven years, and only apply if foreclosure is imminent. It would leave the 2005 bankruptcy changes intact.

The compromise would not make future loans more expensive for everyone or cause instability in the marketplace. Millions of borrowers are now trapped in loans that are

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already too expensive, and irresponsible lending practices have resulted in a foreclosure crisis that has *already* destabilized the mortgage marketplace. If anything, we believe that H.R. 3609 will help bring stability to the marketplace by helping to stop a large number of foreclosures.

The H.R. 3609 compromise is a narrowly-targeted, thoughtful proposal that would quickly save hundreds of thousands of homes, and it is the only one moving through Congress that would give troubled homeowners immediate leverage in the process. As organizations representing many of those homeowners and their communities, our support for any “foreclosure prevention” legislative package will hinge on the inclusion of it.

Again, we urge you to support the Committee-passed version of H.R. 3609. Thank you for your consideration. If you have any questions, please contact Rob Randhava, LCCR Counsel, at 202-466-6058.

Sincerely,

AARP

ACORN

American-Arab Anti-Discrimination Committee (ADC)

American Association of University Women

American Friends Service Committee

Americans for Democratic Action

Center for American Progress

Center for Responsible Lending

Common Cause

Community Action Partnership

Consumer Action

Consumer Federation of America

Consumers Union

International Union, United Auto Workers

Japanese American Citizens League

Lawyers' Committee for Civil Rights Under Law

Leadership Conference on Civil Rights

NAACP Legal Defense & Educational Fund, Inc.

National Alliance of Postal and Federal Employees

National Association for the Advancement of Colored People (NAACP)

National Association of Consumer Advocates (NACA)

National Association of Consumer Bankruptcy Attorneys

National Coalition for Asian Pacific American Community Development

National Community Reinvestment Coalition

National Council of La Raza

National Fair Housing Alliance

National Federation of Filipino American Associations

National Low Income Housing Coalition

National Women's Law Center

Opportunity Finance Network

Service Employees International Union (SEIU)

USAction

U.S. PIRG