

February 14, 2008

Honorable Harry Reid  
U.S. Senate  
S-221 Capitol Building  
Washington, DC 20510

Dear Leader Reid:

The undersigned represent a diverse group of consumer, civil rights, labor, retiree, housing, lending and community organizations. We are writing to commend you and your colleagues for recognizing the urgency of the housing foreclosure crisis facing this country and for proposing a comprehensive legislative approach to help stem it. We are supportive of S. 2636, the Foreclosure Prevention Act, and in particular want to emphasize our support for Title IV, which will allow for modification of home 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 applaud you and your colleagues for addressing the foreclosure crisis with the urgency it deserves. We support the court-supervised modification section of S. 2636 and urge speedy passage of this urgently needed reform. 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  
CDFI Coalition  
Center for Responsible Lending  
Consumer Action  
Consumer Federation of America  
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 Consumer Law Center (on behalf of its low-income clients)  
National Council of LaRaza  
National Neighborworks Association  
Opportunity Finance Network  
Service Employees International Union  
U.S. Conference of Mayors

Cc: Senate Minority Leader Mitch McConnell  
Senator Richard Durbin  
Members, U.S. Senate