



Americans for Financial Reform
1629 K St NW, 10th Floor, Washington, DC, 20006
202.466.1885

August 24, 2011

Shaun Donovan
Secretary
U.S. Department of Housing and
Urban Development
451 Seventh Street SW, Room
10000
Washington DC 20410

Thomas J. Perrelli
Associate Attorney General
Office of the Associate Attorney
General
U.S. Department of Justice
950 Pennsylvania NW, Room 5706
Washington DC 20530

Thomas Miller
Attorney General
State of Iowa
1305 E. Walnut Street
Des Moines, IA 50319

Greg Abbott
Attorney General
State of Texas
300 W. 15th Street
PO Box 12548
Austin, TX 78711

Beau Biden
Attorney General
State of Delaware
Carvel State Office Building
820 N French Street
Wilmington, DE 19801

Pam Bondi
Attorney General
State of Florida
300 The Capitol PL-01
Tallahassee, FL 32399

Roy Cooper
Attorney General
State of North Carolina
9001 Mail Service Center
Raleigh, NC 27699

Mike DeWine
Attorney General
State of Ohio
State office Tower
30 E Broad St Fl 17
Columbus, OH 43215

Kamala Harris
Attorney General
State of California
1300 I Street
PO Box 944255
Sacramento, CA 9581

Tom Horne
Attorney General
State of Arizona
1275 W Washington St
Phoenix, AZ 85007

George Jepsen
Attorney General
State of Connecticut
55 Elm Street
PO Box 120
Hartford, CT 06141

Lisa Madigan
Attorney General
State of Illinois
100 West Randolph Street
Chicago, IL 60601

Rob McKenna
Attorney General
State of Washington
1125 Washington Street SE
PO Box 40100
Olympia, WA 98504

John Suthers
Attorney General
State of Colorado
1525 Sherman St Fl 5
Denver, CO 80203

Dear Secretary Donovan, Associate Attorney General Perrelli, and Generals Miller, Abbott, Biden, Bondi, Cooper, DeWine, Harris, Horne, Jepsen, Madigan, McKenna, and Suthers:

In the midst of the continuing foreclosure crisis, and with negotiations between State Attorneys General, Federal Agencies and the major servicers reaching a pivotal point, we are writing to urge a strong settlement to the legal actions under discussion, and one that leaves open the path for further needed actions to hold lawbreakers accountable.

Since early 2007 more than 7.5 million homes have entered the foreclosure process, 4.8 million borrowers are at risk of foreclosure now, and the crisis continues, with more households drawn in to the danger zone every day. Default and foreclosure rates are many times higher than they have been at any time since the great depression, and the damage has impacted every corner of our country, including urban and rural areas, and families of every kind. It has also had a particularly destructive impact in minority communities and is a major cause of the more than 50% drop in wealth among black and Latino families since the financial crisis began.

The millions of foreclosures are devastating for families that lose their homes, but also for neighborhoods afflicted with vacancy and blight, towns and cities losing property taxes, and for our whole economy. Compounding the harm to working families, small investors and pension funds have lost billions of dollars on investments in mortgage-backed securities that were sold deceptively and built on loans that were destined to fail.

Abuse, fraud, conflicts of interest, and lawlessness have been endemic at every stage of the mortgage origination, pooling, securitization, and servicing and foreclosure process. This chain of misconduct by many of the nations' largest financial companies is at the root of the foreclosure avalanche, of the failure of existing programs to resolve the problem, and a fundamental cause of the broader economic crisis that has cost millions of jobs and is compounding the foreclosure problem now. In turn, failure to resolve the foreclosure crisis is worsening our economic situation, and making it harder to create jobs.

As settlement discussions between the Attorneys General, the federal agencies, and the mortgage servicers continue, we want to reiterate our view that pressure for an immediate settlement must not outweigh the more important need for a settlement appropriate to the vast scale of the laws broken and the harm done. We understand that industry is pressing to limit relief and for overly broad releases; they must not be allowed to succeed. To the extent that institutions or individuals committed illegal acts, there have to be consequences for breaking the law that are in proportion to the seriousness of the violations.

Every time a light is aimed at a piece of the mortgage abuse puzzle, new examples of lawbreaking and conflicts of interest emerge. The last few weeks in particular have seen new information come to light, and new actors engage in efforts to challenge the impunity of securitizers and servicers. The evidence is there to be found, and it should be deployed to compel meaningful change.

We need a strong settlement to the robo-signing actions, and one that only releases claims that were fully investigated and remedied. Otherwise there is a great danger that the banks will be bailed out once again, and allowed to escape from the consequences of their actions, while homeowners, communities, investors, and our broader economic security pay the price.

Homeowners need a settlement that will:

- Make principal reductions mandatory, meaningful and widely applicable, including across loans held in portfolio and owned by investors; (servicers must not be credited for actions that do not fully benefit borrowers);
- Make loss mitigation standards transparent, binding, and enforceable;
- Include substantial monetary relief in addition to principal reduction, including restitution for borrowers who have already wrongly lost their homes;
- Correct basic flaws in the servicing and modification process, including fully ending the dual-track of foreclosure proceedings during modification processing; providing a single point of contact for borrowers, and requiring forbearance for unemployed homeowners with a fair opportunity for affordable repayment of the forbearance;
- Provide releases only for claims that were fully investigated and remedied; for example, the agreement must not release securities claims, fair housing claims, chain of title claims or claims regarding servicers' use of MERS. Homeowner defenses to foreclosure must be preserved, and homeowner relief cannot be conditioned on homeowner release of broader claims.
- Require that relief under the settlement must be widely available, and allocated in accordance with principles of equity, and in compliance with fair housing laws.
- Hold responsible parties accountable for their lawbreaking, and further the process of a full public airing of the abuses that caused and prolonged this crisis.

We very much appreciate the work you are doing. Much too little has been done to address the foreclosure crisis, with terrible consequences. That is why a meaningful settlement, and one that allows further actions to hold those responsible for the foreclosure crisis accountable, is so important to help homeowners, communities, investors and the whole economy, to secure a measure of justice.

Sincerely,

Action Now (IL)

ACTION United (PA)

AFL-CIO

AFSCME

Alliance for a Just Society

Alliance of Californians for Community Empowerment (ACCE)

Americans for Financial Reform

California Reinvestment Coalition

Center for Responsible Lending

Communities United For Action (OH)

Community Legal Services, Inc. (PA)

Consumer Action
Consumer Federation of America
Delawareans for Social and Economic Justice
Empowering and Strengthening Ohio's People
Iowa Citizens for Community Improvement
Move On
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 People's Action
Neighborhood Economic Development Project (NEDAP)
New Bottom Line
New York Citizen Action
Organize Now (FL)
PICO National Network
Public Citizen
PUP: Philadelphia Unemployment Project
SEIU
Syracuse United Neighbors
The Leadership Conference on Civil and Human Rights
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