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 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...
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)
USAAction
U.S. PIRG