Congress of the United States
Washington, DC 20515

October 11, 2011

The President
The White House
Washington, DC 20500

Dear President Obama:

As Members of Congress from California, we are writing to express our continuing concerns about the ongoing housing market decline and the manner in which the financial institutions are handling delinquent mortgages, mortgage modifications, and foreclosures. We believe that these institutions are failing to act in good faith and that there are immediate steps your Administration should be taking to address the devastating problems facing homeowners.

On October 4, 2010, we wrote to your Administration requesting help for struggling homeowners who were at the mercy of mortgage servicers. Our letter included dozens of cases from throughout California that highlighted systemic problems in the way financial institutions handle mortgages and the foreclosure process. Since then, we have held meetings with the Secretary of Treasury, Secretary of Housing and Urban Development and others outlining the enormous obstacles facing our constituents who are trying to save their homes. Additionally, in March 2011, a group of Members requested a meeting with the Vice President to discuss ways the Administration can be helpful. We continue to hear from our constituents that servicers are uncooperative, misleading and even deliberately obstructive and we have not seen successful efforts from your Administration in response.

In September 2011, RealtyTrac released data that showed that one in every 226 housing units in California had a foreclosure filing during the month of August alone – more than twice the national average. The data also showed that California had a staggering 55% increase in foreclosure notices in August, the second highest in the nation. Numerous reports indicate that our housing troubles are worsening. Each foreclosure represents a missed opportunity for a family to stay in its home. We cannot afford to allow this to continue.

We therefore respectfully urge you to take the following actions:

- Urge the Federal Housing Finance Agency (FHFA) to use its conservatorship of Fannie Mae and Freddie Mac to allow all mortgages currently owned or guaranteed by Fannie Mae and Freddie Mac that meet basic criteria the opportunity to refinance at historically low market rate. This would allow homeowners to reduce their monthly mortgage payment by hundreds of dollars—reducing the number of defaults and preventing foreclosure.

- Secure a far greater number of meaningful principal reductions for underwater homeowners. One promising possibility would be a temporary reduction in the interest rates of certain homeowners who file for Chapter 13 bankruptcy, so that the entirety of their monthly payments would go to paying down their principal balances for five years.

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Coordination with the bankruptcy process would make these reductions more likely to succeed than other types of loan modifications, while also limiting the program to those who truly need it and avoiding the administrative failures that have plagued many other initiatives. Such a plan could be implemented for mortgages held by Fannie Mae and Freddie Mac, as we believe that such a plan would be entirely consistent with FHFA's obligation to minimize taxpayer losses in the Enterprises. This plan could also be implemented as part of the nationwide settlement currently being negotiated by a group of state attorneys general.

- Institute a "Homeowner's Bill Of Rights" that would apply to the Department of Housing and Urban Development, Department of Veterans Affairs, Home Affordable Mortgage Program, Federal Housing Finance Agency, and private servicer modification programs and include the following:
    - *Make the process homeowner-friendly:* Establish a single point of contact; require servicers to review documents within a timely fashion and disclose information about the process; and ban "advanced fees."
    - *Eliminate needless obstacles to effective modifications:* Allow for flexibility in the debt to income ratio; end the requirement that homeowners be delinquent in order to be eligible for a loan modification; cease dual tracking; and prohibit servicers from reporting adverse credit information while trial or permanent modification is underway.
    - *Ensure accountability and establish an appeals process:* Create an Office of Consumer Advocate; conduct random audits of modifications; and establish an independent appeals process for homeowners who believe their modifications have been improperly rejected or handled in violation of program rules.

These are actions that can be taken immediately by your Administration to help address the overwhelming problems facing our constituents. We understand that these are not the only actions that must be taken, and we will continue to work in Congress on behalf of struggling homeowners to encourage recovery in the housing market and to prevent similar problems in the future.

Our current economic crisis began in the housing market. Until the housing market is stabilized, our economy will not be able to fully recover. We hope you will act in the best interest of the American people who are facing extreme hardships to keep homeowners in their homes and stabilize the economy.

Sincerely,

Zoe Lofgren

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