

April 13th, 2011

Dear Representative,

The record of lawbreaking and abuse by the largest banks and servicers at every stage of the mortgage origination, securitization, servicing and foreclosure process is breathtaking, and the damage done – to homeowners, communities, investors, pension funds, and the economy as a whole -- is devastating.

We are writing to ask you to join us in pressing federal and state regulators and law enforcement officials to use their authority effectively to hold the lawbreakers accountable, and to craft solutions that will end wrongdoing, provide relief and restitution for injured families, and avert the disaster of millions of continuing foreclosures by requiring sustainable mortgage modifications including principle reductions. Strong resolutions of these issues are perhaps our best hope to end the misery of unprecedented levels of foreclosures, and to get our economy back on track by stabilizing the housing market. Weak settlements, on the other hand, especially weak settlements that preclude continued investigation and prosecution where needed, would amount to another bank bailout.

The federal regulators draft consent decree leaked last week clearly fails this test: it does not hold servicers accountable for illegal practices, and it would not stop avoidable foreclosures. In the words of the New York Times editorial board, the federal regulators let banks off the hook again. The draft Attorneys' General settlement language leaked some weeks earlier included sensible measures to get the loss modification process on track to save homes. It also, however, fell short of what we need in some very important respects. In other areas it remained unclear what the AG group contemplates.

What *is* extremely clear is that despite the modesty of that AG proposal, the servicers and banks have launched a PR offensive claiming that its terms are onerous and unfair. Among other things, they have suggested that the 20-25 billion dollar figure floated is unreasonably high. If anything this number seems to us low; this industry has done trillions of dollars of damage to the economy, and it is just one dimension of the problem that homeowners now owe 750 billion dollars more than their homes are worth. Moreover, the banks refuse to adopt reasonable rules on loan modifications and servicing fees despite the fact that their misconduct in these areas is well documented. In the face of the overwhelming importance of this issue to struggling families and to the economy as a whole the banks' arguments must not be allowed to carry the day. We need tough agreements that lay out new rules, and make sure they are followed, and that do not let the industry escape from accountability for one major area of illegal activity by committing to improved behavior in another. For example, they should not settle securities claims if they have done nothing to resolve them.

A fair settlement would include the following principles:

Make principal reduction mandatory and widely applicable.

There must be clear mandates for widespread principal reduction for homeowners at risk of foreclosure. Mandatory principal reduction will keep millions of families in their homes, stabilize communities, and help get the housing market back on track. This will be more fair, because it spreads the costs of the loss of equity in the housing market across a broader range of players, including the big lenders who were major causes of the problem – rather than having the cost borne disproportionately by homeowners. And it is more likely to result in workable long term loan modifications that save homes

and stabilize the market. Equally important, these loan modifications protect investors and taxpayers' interests by avoiding the greater losses produced by foreclosures.

Provide 12-month or more extended forbearance for unemployed/underemployed people.

The continuing economic crisis - whose roots lie in the abusive lending and securitization practices of the big banks - means that unemployment or loss of income is now a central cause of many foreclosures. Current HAMP guidelines only give unemployed homeowners three months forbearance, despite the average length of unemployment standing at close to nine months. Forbearance, in combination with a working mortgage modification program, would prevent temporary loss of income from leading to foreclosures and contributing to a downward economic spiral. A good forbearance program would reduce a homeowner's payment to 31 percent of income and have a workable payment plan for the amounts forborne.

Establish restitution for people who have already lost their homes.

Millions of families have already lost their homes in a broken system. These families need restitution, up to and including having their homes returned to them when they were wrongfully foreclosed upon and where there is not yet a new owner.

Stop foreclosures while homeowners are reviewed for loan modifications.

People who are waiting to be reviewed for a home-saving loan modification need an immediate halt to any foreclosure process affecting them. During this stop, servicers should be prohibited from assessing late fees or other similar charges. A stop to the process will incentivize servicers to speed the pace of modification reviews. Homeowners deserve a fair chance to keep their homes.

Keep fee and insurance costs reasonable.

Servicers routinely overcharge homeowners with abusive fees and excessive insurance costs. Reasonable fee and insurance guidelines are needed to restore balance to these core servicing activities.

Offer a fairer resolution for first lien holders over second lien holders.

First lien holders should get paid "more and before" second lien holders, as required by law and by the contracts governing the servicing of securitized mortgages. Banks that service home loans for others are favoring their own second liens over the rights of investors and homeowners.

Make enforcement effective.

The servicers have repeatedly ignored or evaded contractual and legal requirements. To work, settlements must have a clear and powerful set of enforcement mechanisms, including a staffed enforcement team able to review servicer performance and borrower complaints, and to impose additional sanctions for failure to comply.

Deny the servicers 'get out of jail free' cards.

No settlement should get in the way of further investigations and prosecutions in areas where it does not include meaningful solutions.

There is a tremendous amount at stake in these regulatory and law enforcement actions, and we look forward to working with you to hold lawbreaking banks accountable, and to accomplish real change for families, communities, and our whole economy.

Sincerely,

ACCE (Alliance of Californians for Community Empowerment)
Alliance for a Just Society
Americans for Financial Reform
Center for NYC Neighborhoods
Center for Responsible Lending
Community Legal Services of Philadelphia
Community Organizations in Action
Consumer Action
Main Street Alliance
Massachusetts Communities Action Network
National Association of Consumer Advocates (NACA)
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 Advocacy Project (NEDAP)
New Bottom Line
New York Communities for Change (NYCC)
PICO National Network
Service Employees International Union (SEIU)
The Leadership Conference on Civil and Human Rights
U.S. Public Interest Research Group (PIRG)

Following are the partners of Americans for Financial Reform.

All the organizations support the overall principles of AFR and are working for an accountable, fair and secure financial system. Not all of these organizations work on all of the issues covered by the coalition or have signed on to every statement.

- A New Way Forward
- AARP
- AFL-CIO
- AFSCME
- Alliance For Justice
- Americans for Democratic Action, Inc
- American Income Life Insurance
- Americans for Fairness in Lending
- Americans United for Change
- Calvert Asset Management Company, Inc.
- Campaign for America's Future
- Campaign Money
- Center for Digital Democracy
- Center for Economic and Policy Research
- Center for Economic Progress
- Center for Media and Democracy
- Center for Responsible Lending
- Center for Justice and Democracy
- Center of Concern
- Change to Win
- Clean Yield Asset Management
- Coastal Enterprises Inc.
- Color of Change
- Common Cause
- Communications Workers of America
- Community Development Transportation Lending Services
- Consumer Action
- Consumer Association Council
- Consumers for Auto Safety and Reliability
- Consumer Federation of America
- Consumer Watchdog
- Consumers Union
- Corporation for Enterprise Development
- CREDO Mobile
- CTW Investment Group
- Demos
- Economic Policy Institute
- Essential Action
- Greenlining Institute
- Good Business International
- HNMA Funding Company
- Home Actions
- Housing Counseling Services
- Information Press
- Institute for Global Communications
- Institute for Policy Studies: Global Economy Project
- International Brotherhood of Teamsters
- Institute of Women's Policy Research
- Krull & Company
- Laborers' International Union of North America

- Lake Research Partners
- Lawyers' Committee for Civil Rights Under Law
- Move On
- NASCAT
- National Association of Consumer Advocates
- National Association of Neighborhoods
- National Community Reinvestment Coalition
- National Consumer Law Center (on behalf of its low-income clients)
- National Consumers League
- National Council of La Raza
- National Fair Housing Alliance
- National Federation of Community Development Credit Unions
- National Housing Trust
- National Housing Trust Community Development Fund
- National NeighborWorks Association
- National People's Action
- National Council of Women's Organizations
- Next Step
- OMB Watch
- OpenTheGovernment.org
- Opportunity Finance Network
- Partners for the Common Good
- PICO
- Progress Now Action
- Progressive States Network
- Poverty and Race Research Action Council
- Public Citizen
- Sargent Shriver Center on Poverty Law
- SEIU
- State Voices
- Taxpayer's for Common Sense
- The Association for Housing and Neighborhood Development
- The Fuel Savers Club
- The Institute for College Access & Success
- The Leadership Conference on Civil and Human Rights
- The Seminal
- TICAS
- U.S. Public Interest Research Group (PIRG)
- United Food and Commercial Workers
- United States Student Association
- USAction
- Veris Wealth Partners
- Western States Center
- We the People Now
- Woodstock Institute
- World Privacy Forum
- UNET
- Union Plus
- Unitarian Universalist for a Just Economic Community

Partial list of State and Local Signers

- Alaska PIRG

- Arizona PIRG
- Arizona Advocacy Network
- Arizonans For Responsible Lending
- Association for Neighborhood and Housing Development NY
- Audubon Partnership for Economic Development LDC, New York NY
- BAC Funding Consortium Inc., Miami FL
- Beech Capital Venture Corporation, Philadelphia PA
- California PIRG
- California Reinvestment Coalition
- Century Housing Corporation, Culver City CA
- CHANGER NY
- Chautauqua Home Rehabilitation and Improvement Corporation (NY)
- Chicago Community Loan Fund, Chicago IL
- Chicago Community Ventures, Chicago IL
- Chicago Consumer Coalition
- Citizen Potawatomi CDC, Shawnee OK
- Colorado PIRG
- Coalition on Homeless Housing in Ohio
- Community Capital Fund, Bridgeport CT
- Community Capital of Maryland, Baltimore MD
- Community Development Financial Institution of the Tohono O'odham Nation, Sells AZ
- Community Redevelopment Loan and Investment Fund, Atlanta GA
- Community Reinvestment Association of North Carolina
- Community Resource Group, Fayetteville A
- Connecticut PIRG
- Consumer Assistance Council
- Cooper Square Committee (NYC)
- Cooperative Fund of New England, Wilmington NC
- Corporacion de Desarrollo Economico de Ceiba, Ceiba PR
- Delta Foundation, Inc., Greenville MS
- Economic Opportunity Fund (EOF), Philadelphia PA
- Empire Justice Center NY
- Enterprises, Inc., Berea KY
- Fair Housing Contact Service OH
- Federation of Appalachian Housing
- Fitness and Praise Youth Development, Inc., Baton Rouge LA
- Florida Consumer Action Network
- Florida PIRG
- Funding Partners for Housing Solutions, Ft. Collins CO
- Georgia PIRG
- Grow Iowa Foundation, Greenfield IA
- Homewise, Inc., Santa Fe NM
- Idaho Nevada CDFI, Pocatello ID
- Idaho Chapter, National Association of Social Workers
- Illinois PIRG
- Impact Capital, Seattle WA
- Indiana PIRG
- Iowa PIRG
- Iowa Citizens for Community Improvement
- JobStart Chautauqua, Inc., Mayville NY
- La Casa Federal Credit Union, Newark NJ
- Low Income Investment Fund, San Francisco CA
- Long Island Housing Services NY
- MaineStream Finance, Bangor ME

- Maryland PIRG
- Massachusetts Consumers' Coalition
- MASSPIRG
- Massachusetts Fair Housing Center
- Michigan PIRG
- Midland Community Development Corporation, Midland TX
- Midwest Minnesota Community Development Corporation, Detroit Lakes MN
- Mile High Community Loan Fund, Denver CO
- Missouri PIRG
- Mortgage Recovery Service Center of L.A.
- Montana Community Development Corporation, Missoula MT
- Montana PIRG
- Neighborhood Economic Development Advocacy Project
- New Hampshire PIRG
- New Jersey Community Capital, Trenton NJ
- New Jersey Citizen Action
- New Jersey PIRG
- New Mexico PIRG
- New York PIRG
- New York City Aids Housing Network
- NOAH Community Development Fund, Inc., Boston MA
- Nonprofit Finance Fund, New York NY
- Nonprofits Assistance Fund, Minneapolis M
- North Carolina PIRG
- Northside Community Development Fund, Pittsburgh PA
- Ohio Capital Corporation for Housing, Columbus OH
- Ohio PIRG
- OligarchyUSA
- Oregon State PIRG
- Our Oregon
- PennPIRG
- Piedmont Housing Alliance, Charlottesville VA
- Michigan PIRG
- Rocky Mountain Peace and Justice Center, CO
- Rhode Island PIRG
- Rural Community Assistance Corporation, West Sacramento CA
- Rural Organizing Project OR
- San Francisco Municipal Transportation Authority
- Seattle Economic Development Fund
- Community Capital Development
- TexPIRG
- The Fair Housing Council of Central New York
- The Leadership Conference on Civil and Human Rights
- The Loan Fund, Albuquerque NM
- Third Reconstruction Institute NC
- TICAS
- Vermont PIRG
- Village Capital Corporation, Cleveland OH
- Virginia Citizens Consumer Council
- Virginia Poverty Law Center
- War on Poverty - Florida
- WashPIRG
- Westchester Residential Opportunities Inc.
- Wigamig Owners Loan Fund, Inc., Lac du Flambeau WI

- WISPIRG