

September 7, 2016

Dear Representative,

We are writing to urge you to oppose H.R. 5063, which would categorically prohibit federal settlements from including payments or in-kind relief to third-party organizations or others who were not direct victims of a defendant's illegal conduct. This legislation is broad in scope, but it is also specifically targeted at stopping the kinds of consumer relief provided by some of the settlements between the Department of Justice (and other government parties) and several large banks to resolve claims related to the foreclosure crisis. Those provisions were designed to help homeowners receive mortgage modifications that would allow them to keep paying their mortgages and stay in their homes. Passage of this bill would make it substantially more difficult for settlements to provide relief to reach those harmed by illegal activity.

In the specific settlements that the bill takes issue with a tiny fraction of the consumer relief settlement dollars was directed to HUD-approved housing counseling agencies and legal aid organizations. The Bank of America and Citibank settlements, the only settlements that included provisions requiring consumer relief directed to housing counseling agencies and legal aid organizations, included billions of dollars of direct relief for homeowners in the form of mortgage modifications. Relatively small portions of the settlements were provided for housing counseling and legal assistance to help homeowners secure sustainable modifications to stay in their homes.¹

Homeowners with access to professional assistance achieve better outcomes than those who do not. For example, research has consistently demonstrated that homeowners who receive a modification after working with a counselor are significantly more likely to remain current on their mortgage than homeowners who receive a modification without working with a counselor.² Funding for HUD-approved housing counseling agencies and legal aid organizations in the settlement helped improve outcomes for homeowners facing foreclosure and facilitated mortgage modifications like those included in the settlements.

The Department of Justice had no control over which HUD-approved agencies and legal aid organizations received contributions from defendants through these settlements. There are over 2,000 HUD-approved housing counseling agencies and the settling banks were given sole

¹ Required donations to HUD-approved counseling agencies and legal aid organizations constituted \$75 million of the Bank of America and Citibank settlements, which is approximately 0.79 percent of the consumer relief packages and 0.32 percent of the total settlement amounts.

² The December 2014 report to Congress on the National Foreclosure Mitigation Counseling (NFMC) Program, for example, found that NFMC clients were nearly three times as likely to receive a loan modification cure than non-counseled homeowners and were 70 percent more likely than non-counseled homeowners to remain current after receiving a modification. NeighborWorks America, *National Foreclosure Mitigation Counseling Program Congressional Update* (Dec. 8, 2014).

discretion as to which of these agencies received settlement funds and how much funding any given agency received.

It is also noteworthy that the groups that have most often been singled out in attacks on the settlements are large civil rights organizations with housing counseling networks. The National Council of La Raza, the largest Hispanic national civil rights organization in the country, and the National Urban League, one of the oldest and largest African American civil rights organizations in the country, both run large networks of HUD-approved housing counseling agencies that provide a broad range of services in their respective communities, including preparing first-time homebuyers for sustainable homeownership and helping struggling homeowners to save their homes. Any settlement funds received by these or any other HUD-approved counseling agencies were required to be used to provide counseling and were subject to HUD reporting requirements.

The attacks on these consumer relief provisions are misguided. By including this funding in the settlements, the Justice Department leveraged a tiny portion of the settlement dollars to greatly improve the effectiveness of the other consumer relief provisions. Helping homeowners who faced foreclosure as a result of the reckless banking practices that led to the greatest housing and economic crisis since the Great Depression was simply the right thing to do.

We urge you to oppose this legislation and any other measure that includes similar provisions.

Sincerely,

Americans for Financial Reform

California Reinvestment Coalition

Center for NYC Neighborhoods

CFED

Community Action Committee of the Lehigh Valley

Connecticut Fair Housing Center

Empire Justice Center

The Leadership Conference on Civil and Human Rights

National Community Reinvestment Coalition (NCRC)

National Council of La Raza

National Fair Housing Alliance

National Housing Resource Center

National Urban League

Other98

Rural Community Assistance Corporation

U.S. PIRG

Woodstock Institute