



FOR IMMEDIATE RELEASE

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AFR Statement on FHFA Announcement on Distressed Mortgages

Americans for Financial Reform (AFR) welcomes FHFA's announcement that it will take additional steps to limit the negative effects of underwater mortgages on homeowners and their communities. Principal reduction on underwater mortgages has been a priority for AFR and many of our members, and we have long urged FHFA to adopt this position.

Allowing Freddie and Fannie to reduce the principal owed by underwater homeowners to prevent unnecessary, costly foreclosures – as some private investors have been doing for years – is a positive step. The research FHFA itself cites suggests, however, that more homeowners and communities should be included; why not, for example, include underwater properties with loan to value ratios below 115%? More unnecessary foreclosures could also have been avoided had FHFA moved in this direction sooner. Although the reach of this program is too limited, it sets an important precedent for FHFA to use more of the available tools to mitigate the losses on underwater mortgages to benefit homeowners and the Enterprises alike.

The requirement that buyers of distressed mortgages from Fannie and Freddie consider all homeowners for principal reduction is also a very welcome step, as are the additional requirements that buyers not walk away from vacant properties. It is important that there be adequate resources devoted to ensuring compliance with these and other requirements. FHFA should also provide timely and detailed public reports on compliance and on the outcomes of the sales. In addition, FHFA should continue to implement additional mechanisms to ensure that communities and homeowners are helped and not harmed by distressed-asset sales.

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