

HELP STOP FORECLOSURES: SUPPORT JUDICIAL MORTGAGE MODIFICATION

March 13, 2009

Dear Senator:

Last week, the Obama Administration unveiled the details of a comprehensive set of initiatives to help millions of American homeowners and reduce the massive wave of foreclosures that lie at the root of today's economic crisis. The plan recognizes that voluntary industry-led programs to avert foreclosures simply have not yet worked. Therefore, the Administration is putting in place a coordinated set of options and incentives to servicers and investors to prevent avoidable foreclosures.

An essential part of the Obama Administration plan supports congressional action to permit distressed homeowners to seek home loan modifications in bankruptcy court. That is the same option that is permitted today for virtually every other type of debt in both consumer and business bankruptcy cases. Legislation to accomplish this critical part of the plan, S. 61 ("Helping Families Save Their Homes in Bankruptcy Act"), will be considered soon by the full Senate. Just last week, the House of Representatives, in a bipartisan vote, approved a companion measure (H.R. 1106). A key provision of both measures: allowing for judicial mortgage modification. This will be the most reliable way to encourage loan servicers to offer sustainable mortgage modifications outside of court.

We are writing today to reiterate our support for this legislation. S. 61 represents a valuable tool, at **no cost** whatsoever to the taxpayer, for stopping foreclosures and stabilizing the economy by providing homeowners access to court-supervised mortgage modifications. The proposed legislation will not excuse families from paying their mortgage. Rather, it will give judges the authority to modify unaffordable loans for families who are facing foreclosure and cannot obtain an affordable voluntary modification. Lenders would receive more, not less, than they would receive if foreclosure took place.

And there is a bigger case to be made for this common-sense reform: We can't end the financial crisis without stemming the rising tide of foreclosures. Court-supervised loan modification for *all* mortgages, and not just subprime loans, is an essential component of an effective and comprehensive plan to meet that challenge. Clearly, the foreclosure crisis extends beyond the subprime loans where it started and now reaches the homes of millions of mostly middle-class homeowners with traditional, prime mortgages, as well as Alt A loans. (See attached document explaining why it is so important that the Senate not limit judicial mortgage modifications to subprime loans.) Recognizing that the original subprime mortgage crisis now has spilled over to home mortgages in general, the Senate should sync its remedy with the Obama initiative, which applies to *all* mortgages, to provide the strongest possible incentive for voluntary modifications.

At a time when an estimated 6,600 families are losing their home to foreclosure each and every day, there is no time for delay. We urge the Senate to act immediately to pass legislation, without weakening amendments, to lift the ban on judicial modification of primary residence

mortgages. It is perhaps the most important thing we can do right now to help arrest the terrible toll that the recession is taking on American families.

Sincerely,

AARP
AFL-CIO
American Federation of State, County and Municipal Employees (AFSCME)
Americans for Fairness in Lending
Association of Community Organizations for Reform Now (ACORN)
Center for Responsible Lending
Central Illinois Organizing Project
Change to Win
Consumer Action
Consumers Union
Consumer Federation of America
DEMOS
Greenlining Institute
International Association of Machinists and Aerospace Workers
International Union, United Automobile, Aerospace & Agricultural Implement Workers of America (UAW)
Leadership Conference on Civil Rights
NAACP
National Association of Consumer Advocates
National Association of Consumer Bankruptcy Attorneys
National Association of Neighbors
National Coalition of Asian-Pacific Americans for Community Development
National Community Reinvestment Coalition
National Consumer Law Center (on behalf of its low-income clients)
National Fair Housing Alliance
National Low Income Housing Coalition
National NeighborWorks Association
National Policy and Advocacy Council on Homelessness
National Training and Information Center
National Urban League
Opportunity Finance Network
PICO National Network
Rural Advancement Foundation International - -USA
Service Employees International Union
U.S. PIRG
Woodstock Institute

ACORN of Western Pennsylvania
ACTION-Housing Inc.
Birmingham Urban League AL
Community Legal Services of Philadelphia PA
Connecticut Fair Housing Center
Empire Justice Center

Fair Housing Law Project, a program of the Law Foundation of Silicon Valley
Florida Legal Services, Tallahassee FL
Greater Hartford Legal Aid CT
Jefferson County Committee for Economic Opportunity AL
Jefferson County Housing Authority AL
Kentucky Equal Justice Center
Lakeshore Legal Aid, Southfield MI
Legal Assistance Resource Center of Connecticut, Inc.
Low Income Housing Coalition of Alabama
Massachusetts Consumers' Coalition
Miami Valley Fair Housing Center, Inc., Dayton OH
Mid-Minnesota Legal Assistance, Minneapolis MN
New Haven Legal Assistance Association
Northeast Ohio Legal Services, Youngstown OH
Public Justice Center
Virginia Citizens Consumer Council