

May 11, 2010

The Honorable Christopher Dodd
Chairman
Senate Committee on Banking,
Housing, and Urban Affairs
Russell Senate Office Building, Room: 448
1st and C Streets, N.E.
Washington, DC 20510

The Honorable Richard Shelby
Ranking Member
Senate Committee on Banking,
Housing, and Urban Affairs
Russell Senate Office Building, Room: 304
1st and C Streets, N.E.
Washington, DC 20510

Dear Chairman Dodd and Senator Shelby:

We write in opposition to amendments to the Restoring American Financial Stability Act that would mandate a one-size-fits-all approach to mortgage underwriting and those amendments that would undercut the current mortgage finance system by eliminating Government Sponsor Enterprises (GSEs) without having a successor system in place.

Certain amendments currently being considered, such as a mandatory 5 percent down payment requirement, would undermine successful first-time homebuyer and workforce housing programs offered by qualified nonprofits and state and local governments. Unlike the broader mortgage market, these nonprofit and government sponsored lending programs require borrower financial education and have very low default rates. For example, the program administered by NYC's Department of Housing Preservation and Development had only five foreclosures out of 17,000 loans. The reason is that programs such as these utilize stringent underwriting standards that were lacking in some segments of the mortgage finance market. Yet, local government and nonprofit loan programs would be virtually eliminated by a national mandate for a 5 percent down payment because these programs utilize alternative down payment requirements to ensure that the homebuyer has "skin in the game." For example, self-help homebuyer programs allow hours spent in building homes to compensate as part of the down payment. Other programs require extensive financial literacy, including pre- and post-purchase counseling, and state or local government issued loans coupled with sound underwriting standards that have proved successful in enabling low income and workforce families to achieve the American dream of homeownership, build wealth, and remain in their homes.

Moreover, buyers who receive financial literacy training and homeownership counseling with traditional loan products, irrespective of the down payment percentage, are critical to our nation's ability to address the foreclosure crisis and stabilize the housing market. A one-size-fits-all approach and flat down payment amounts eliminate the ability for local communities to rely on the experience and strong track records of local non-profit and government lenders who have built successful homeownership programs that did not contribute to the housing crisis.

In addition to avoiding flat down payments and federally mandated underwriting standards, we also believe that Congress should employ a thoughtful and analytic approach to examining the role of the two Government Sponsored Entities (GSEs) in the mortgage crisis and what the future of the U.S. mortgage finance system should look like versus an immediate wind down of both GSEs. We urge Congress to ensure that a successor system is in place prior to dissolving the two firms. The GSEs have provided critical capital to the housing market, ensuring that more Americans can benefit from homeownership. Though we must be careful only to extend mortgage loans to those who can afford to pay the loans over the life of the mortgage, we must be equally careful not to cut off mortgage lending at a time when the markets are recovering.

The problems in the housing market were caused by a confluence of factors. We must address all of them, instead of singling out one or two reasons or entities, and, inadvertently, making homeownership unattainable for many working families.

Thank you for taking the time to address these concerns.

Sincerely,

Enterprise Community Partners	Local Initiatives Support Corporation
National NeighborWorks Association	NeighborWorks America
Habitat for Humanity International	Housing Assistance Council
Bikerdike Redevelopment Corporation	Homes for America, Inc.
Community Development Corporation of Utah	Housing Partnership Network
Neighborhood Housing Services of Phoenix	National Housing Conference
Community Resources and Housing Development Corporation	Manna, Inc.
Community Frameworks	National Community Reinvestment Coalition
CommunityWorks in West Virginia	Neighborhood Housing Services of Phoenix
Cambridge Neighborhood Apartment Housing Services	NeighborWorks Columbus
A Community of Friends	Pathfinder Services
Frontier Housing, Inc.	South Shore Housing
Kalamazoo Neighborhood Housing Services, Inc.	Neighborhood Housing Services of Beloit

Tenderloin Neighborhood Development Corporation

Select Milwaukee, Inc.

Knox Housing Partnership

Beyond Housing

Ithaca Neighborhood Housing Services

UNHS NeighborWorks HomeOwnership Center

NHS of Chicago, Inc.

Housing Resources of Western Colorado

Cleveland Housing Network

Avenue Community Development Corporation

The Housing Trust

Boston LISC

Chicago LISC

Connecticut Statewide LISC

Duluth LISC

Houston LISC

Jacksonville LISC

Los Angeles LISC

Mid South Delta LISC

New York City LISC

Philadelphia LISC

Pittsburgh Partnership for Neighborhood Development (SWPA LISC)

San Diego LISC

Richmond Neighborhood Housing Services

Mon Valley Initiative

NHS of the Lehigh Valley, Inc.

Nuestra Comunidad Development Corporation

PathStone Corporation

NeighborWorks Western Vermont

NHS of Orange County

HAP Housing

National Urban League

Southwest Minnesota Housing Partnership

Buffalo LISC

Greater Cincinnati & NE Kentucky LISC

Detroit LISC

Hartford LISC

Indianapolis LISC

Greater Kansas City LISC

Michigan Statewide LISC

Milwaukee LISC

Greater Newark & Jersey City LISC

Phoenix LISC

Rhode Island LISC

San Francisco Bay Area LISC

Twin Cities LISC

Toledo LISC

Washington DC LISC

Virginia LISC

Impact Capital (Washington State LISC)