

**Congress of the United States**  
**Washington, DC 20515**

April 14, 2016

The Honorable Mel Watt  
Director  
Federal Housing Finance Agency  
400 Seventh Street NW  
Washington, D.C. 20024

Dear Director Watt,

We write to urge the Federal Housing Finance Agency (FHFA) to finally provide principal reduction for long-standing underwater borrowers whose mortgages are held by Fannie Mae and Freddie Mac. In your March 22 speech to Women and Housing Finance members[i], you stated the agency's intention to make a decision within thirty days.

We have long urged FHFA to provide principal reduction as a means to avoid foreclosure and stabilize families and communities. We have been greatly frustrated by the delay. Empirical evidence from other lenders demonstrated that principal reduction avoids foreclosure and enables sustainable homeownership for troubled borrowers.[ii] It is a win-win with benefits for Fannie and Freddie and for families across the nation. The Treasury Department found that Fannie Mae and Freddie Mac would have saved about \$3.6 billion more than their loss-mitigation approaches if they had offered principal reduction in 2012.[iii]

Experts on both the political right and the left have advocated in favor of principal reduction. Martin Feldstein, chairman of the Council of Economic Advisers under President Reagan, argued in the New York Times[iv] that "failure to act means that further declines in home prices will continue, preventing the rise in consumer spending needed for recovery." The Center for American Progress stated that there is "consensus among economists, investors, academics, and consumer advocates that principal reduction is often the most cost effective way to avoid unnecessary foreclosure for certain groups of borrowers".

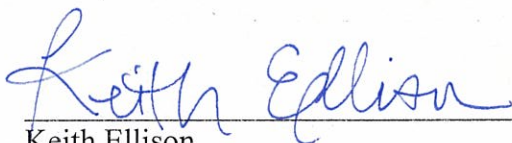
Despite recoveries in housing market, Zillow found that in 2015 more than 4 million homeowners are still underwater, owing 20 percent more than their homes are worth. [v] And according the Wall Street Journal, a great proportion of underwater homes are located in low income and minority communities.[vi]

We urge you to use your authority to establish a program that reaches a high percentage of eligible borrowers. The highest priority in making this decision should be families and

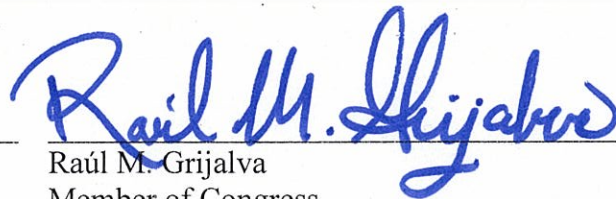
communities, especially those communities still recovering from the Financial Crisis. They need an expansive principal reduction program to regain stable home values. A robust program should recognize that Fannie Mae and Freddie Mac might suffer some short-term losses but most likely the entities and taxpayers will save money since in many cases FHFA will recover more through continued payments and/or a share of future appreciation than they would through foreclosure. We urge you to reject an approach that will result in too small of a pool of borrowers and to instead take the bold action needed to protect families and the American economy.

We urge FHFA to implement a robust principal reduction program that avoids foreclosure and preserves sustainable homeownership for a significant number of borrowers.

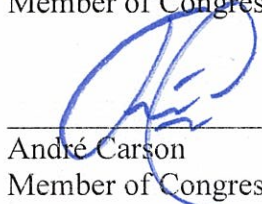
Sincerely,



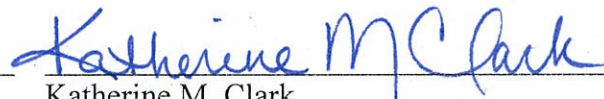
Keith Ellison  
Member of Congress



Raúl M. Grijalva  
Member of Congress



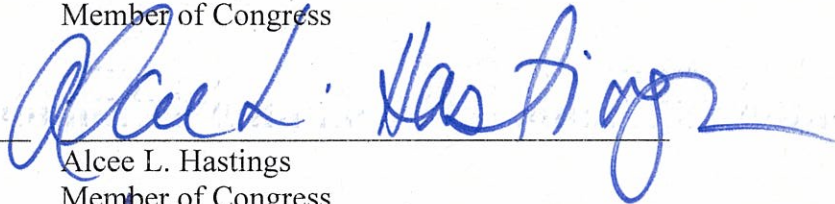
André Carson  
Member of Congress



Katherine M. Clark  
Member of Congress



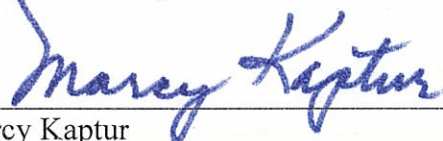
Donna F. Edwards  
Member of Congress



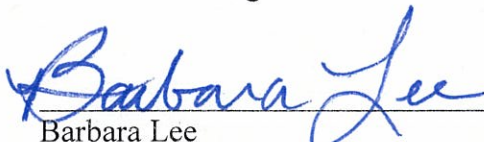
Alcee L. Hastings  
Member of Congress



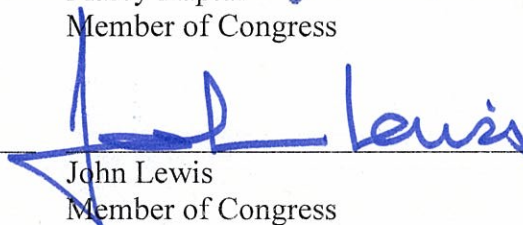
Michael M. Honda  
Member of Congress



Marcy Kaptur  
Member of Congress



Barbara Lee  
Member of Congress



John Lewis  
Member of Congress

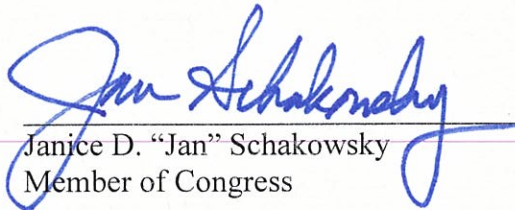


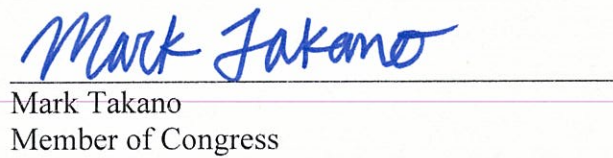
Eleanor Holmes Norton  
Member of Congress



Linda T. Sánchez  
Member of Congress



  
Janice D. "Jan" Schakowsky  
Member of Congress

  
Mark Takano  
Member of Congress

[i] <http://www.fhfa.gov/Media/PublicAffairs/Pages/Mel-Watt-Prepared-Remarks-WHF-Public-Policy-Luncheon-3-22-16.aspx>

[ii] <http://www.bostoncommunitycapital.org/foreclosure-relief>

[iii] <http://www.wsj.com/articles/SB10000872396390444405804577559722648306762>

[iv] [http://www.nytimes.com/2011/10/13/opinion/how-to-stop-the-drop-in-home-values.html?\\_r=4](http://www.nytimes.com/2011/10/13/opinion/how-to-stop-the-drop-in-home-values.html?_r=4)

[v] <http://www.marketwatch.com/story/american-homeowners-still-drowning-in-mortgage-debt-2015-06-12>

[vi] <http://www.wsj.com/articles/in-u-s-poorer-areas-have-yet-to-see-housing-rebound-1435091711>