

October 19, 2007

The Honorable John Conyers  
Chairman  
Committee on the Judiciary  
2138 Rayburn House Office Bldg.  
Washington, DC 20515

The Honorable Lamar Smith  
Ranking Member  
Committee on the Judiciary  
2138 Rayburn House Office Bldg.  
Washington, DC 20515

Dear Chairman Conyers and Rep. Smith:

The undersigned represent a diverse group of consumer, civil rights, labor, retiree, housing, lending and community organizations. We are writing to express our strong support for the legislative initiative embodied in H.R. 3609, the Emergency Home Ownership and Mortgage Equity Protection Act of 2007. Such legislation will bring desperately needed assistance to families on the brink of losing their homes.

Predatory lending practices and declining real estate markets threaten hundreds of thousands of American families with the imminent loss of their homes to foreclosure. For many families, the precipitating event will be a catastrophic rate increase on an inappropriate "exploding" subprime adjustable-rate mortgage loan. As devastating as foreclosures have been to date, they are expected to accelerate dramatically during 2008, when a large number of loans are scheduled for a rate reset.

This is a nationwide crisis that is engulfing not only individual families, but also neighborhoods and entire communities. One important solution to this serious problem is to give consumers on the brink of losing their homes more flexibility to restructure their loans in bankruptcy. H.R. 3609 would eliminate an inequity in the law that currently denies borrowers protections for their primary residence that the law has long granted to wealthier borrowers with respect to their vacation homes or investment properties.

The inability of courts to modify loans on primary residences dates to the enactment of bankruptcy legislation in 1978. At that time, mortgage loans were nearly all fixed-interest rate instruments with low loan-to-value ratios and were rarely themselves the source of a family's financial distress. This is no longer the case. Preventing the modification of home loans for primary residences makes no sense in an age of subprime exploding ARMs where the mortgage itself causes financial crisis. Unless bankruptcy courts have the authority to modify such loans at reset, particularly in areas of property depreciation or where there were fraudulent appraisals, hundreds of thousands of families will be unable to keep their homes.

The Emergency Home Ownership and Mortgage Equity Protection Act would help families save their homes, without any cost to the Treasury, and ensure that lenders recover at least what they would in foreclosure. Distressed homeowners deserve effective and meaningful safeguards in bankruptcy that will allow them to strip down their mortgages to the value of their home so that they can “pay and stay.”

We congratulate the Committee for addressing this issue with the sense of urgency it deserves. It is our hope that the clear recognition from both sides of the aisle that distressed homeowners need additional tools to save their homes will result in speedy passage of this urgently needed reform.

Respectfully,