

November 7, 2007

To: Members of the House Judiciary Committee

Re: H.R. 3609, the Emergency Home Ownership and Mortgage Equity Protection Act of 2007

The undersigned organizations oppose H.R. 3609, the Emergency Home Ownership and Mortgage Equity Protection Act of 2007, currently scheduled for markup on Wednesday, November 7.

We understand that a Manager's amendment will be offered at the markup that makes changes to the bill. While we sincerely appreciate the effort to address some of our concerns about the adverse impact that H.R. 3609 will have on interest rates and the availability of mortgages, we have not had the opportunity to fully review the legislative language or to analyze its impact upon the mortgage market and consumers.

Based upon what little we know about the Manager's amendment, we are still concerned that it does not address our core concerns about H.R. 3609. Specifically, the amendment:

- Remains overly broad, encompassing prime, conventional, and home-only mortgages, as well as all subprime mortgages, and not just those – such as hybrid ARMs – that are causing most of the problems.
- Allows bankruptcy judges to cram-down the value of the remaining principal balance on a mortgage loan without the consent of the lender.
- Allows a judge to extend a mortgage beyond its original termination date.
- Chooses the date of enactment to determine what mortgages can be modified by bankruptcy judges rather than a date certain that coincides with the practical termination of subprime mortgage lending (e.g., September 1, 2007). This will chill new mortgage lending until enactment and thereby exacerbate current housing price deflation, further dampening consumer confidence and raising the risk of recession.
- May automatically excuse debtors from meeting with credit counselors having housing assistance expertise to learn if they have non-bankruptcy alternatives for saving their home, and thereby makes it more likely that debtors will be swayed by attorney advertising.

Even if the Manager's amendment is adopted, H.R. 3609 will still introduce greater uncertainty regarding the value of the assets underlying mortgage-backed securities and will make it more difficult for the credit markets to achieve stability and liquidity, thereby increasing the threat that turmoil in the mortgage market poses to the overall economy. H.R. 3609 will inject massive risk into the secured lending process and the secondary markets that will decrease liquidity in the markets and increase the cost of owning a home, through a higher down-payment, a higher interest rate, or both. In the end, it will thereby prevent many low- and moderate-income Americans from owning homes.

H.R. 3609 is an overly broad response to the problems in the subprime market that makes major changes to our bankruptcy laws that could have unintended and adverse consequences for

consumers. There are better and more targeted ways to address this problem. For example, yesterday the House Financial Services Committee marked up and reported a mortgage reform bill (H.R. 3915) that is likely to be brought to the House floor next week, the regulators are drafting regulations providing greater oversight of the industry, and the House has approved a change in the tax code that will provide tax relief for those whose mortgages have been written down.

Importantly, the industry is actively contacting their customers who are behind on their mortgages or who may be facing resets in adjustable rate loans. H.R. 3609 will undermine this effort by pushing people toward filing for bankruptcy first, rather than saving it as a last resort. One successful outreach effort is the HOPE Now program. Independent, non-profit counseling is available to any consumer who calls that number, 24 hours a day, seven days a week. These efforts are occurring now and will continue.

We respectfully request that you vote against H.R. 3609.

Sincerely,

American Bankers Association  
America's Community Bankers  
American Financial Services Association  
Consumer Bankers Association  
Consumer Mortgage Coalition  
The Financial Services Roundtable  
The Housing Policy Council  
Independent Community Bankers of America  
Manufactured Housing Institute  
Mortgage Bankers Association  
National Association of Home Builders  
Securities Industry and Financial Markets Association  
U.S. Chamber of Commerce