

April 3, 2008

To: Members of the U.S. Senate

Re: Oppose Any Amendment to Change the Treatment of Mortgages During Bankruptcy

As you consider the bipartisan housing bill that is being debated on the floor, we would like to reiterate our strong opposition to any amendment that would reopen the bankruptcy code to grant new powers to bankruptcy judges to change the terms of a primary mortgage. Such legislation would increase the cost of buying a home, and thus would price some Americans out of the housing market while making home ownership more expensive for others.

A March 3 editorial by the Washington Post noted that allowing bankruptcy judges to rewrite mortgages would cause lenders to price the risk of litigation into interest rates, making “it harder for everyone to afford a home.” Noted economist Robert J. Samuelson wrote in his March 5 Washington Post column that some measures being considered by Congress might help, but that other proposals, “particularly empowering bankruptcy judges to reduce mortgages unilaterally – would perversely hurt the housing market by raising the cost of mortgage credit. Lenders would increase interest rates or down payments to compensate for the risk that a court might modify or nullify their loans.”

We urge you to oppose any changes to the bankruptcy code that will grant new powers to bankruptcy judges to retroactively change the terms of a primary mortgage.

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