



February 28, 2011

Honorable Spencer Bachus, Chairman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Honorable Barney Frank, Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Dear Mr. Bachus and Mr. Frank:

On behalf of the more than one hundred organizations from all across the nation who are members of the Housing Partnership Network (HPN) and Stewards of Affordable Housing for the Future (SAHF), we are writing to express in the strongest possible terms our opposition to the Committee's proposed mark-up of legislation to eliminate several of the core federal foreclosure prevention and neighborhood stabilization programs.

The national foreclosure crisis continues – with devastating impacts on both individuals and communities. RealtyTrac projects that lenders will repossess 1.2 million homes in 2011, surpassing the previous record of one million foreclosed homes in 2010. The programs slated for termination by the Committee deserve the nation's continued support until the national challenge of the foreclosure crisis is behind us.

The number one priority is preventing foreclosures and keeping people in their homes. While we share the Committee's apparent disappointment that the Home Affordable Modification Program (HAMP) has not helped more families avoid foreclosure, we do not agree that this then means foreclosure prevention efforts are misguided. We would instead urge the Committee to better understand what has and has not worked and then apply the remaining HAMP resources to address the foreclosure problem more effectively.

The Emergency Homeowner Relief Fund (EHRF) provides one possible alternative approach. This new program for foreclosure prevention is designed to provide assistance to people who are unable to pay their mortgages because they are unemployed. EHRF is substantially similar to a long-standing, highly successful program in the state of Pennsylvania, the Homeowners'

Emergency Mortgage Assistance program (HEMAP). Relative to some of the federal approaches to date, the Pennsylvania program has benefited from the active participation of the state housing finance agency and a network of housing counseling agencies. These organizations work with the homeowner to ensure that the family has a strong prospect to pay back the state. An HPN member organization, ACTION Housing in Pittsburgh, has worked with the HEMAP program for more than 25 years and can attest to its success in helping families confronting unemployment to pay their mortgages and stay in their homes. It is impossible to argue that the unemployed homeowners to whom this assistance is targeted made poor borrowing decisions. In fact, the program is focused on helping those American families who suffered job loss because of economic forces beyond both their control and that of their employers.

An emphasis on foreclosure prevention does not then obviate the need for Neighborhood Stabilization Program (NSP) resources. Data posted on calculatedriskblog.com shows nearly 600,000 units of housing in the real estate owned (REO) inventories across the country at the end of 2010. NSP is an effective tool helping communities hard hit by the foreclosure crisis to mitigate the adverse impacts of distressed REO on the families who remain in their homes in those neighborhoods. NSP I and II have helped to reposition nearly 18,000 units so far and are projected to stabilize more than 80,000 properties when the resources are fully deployed. Based on this experience so far, we can expect that NSP III will serve to address tens of thousands more distressed properties.

Moreover, NSP prevents the harmful effects of foreclosures on homeowners who have managed to stay in their homes. A foreclosure will too often have a negative effect on the values of the surrounding properties. If a neighborhood experiences multiple foreclosures, this can have a rapid and disastrous effect on the rest of the households in the neighborhood as the resulting blight lowers property values and the falling values trap the remaining residents in homes with mortgages that exceed the property's value. NSP resources are tools that allow states, counties, and cities to work with strong nonprofit organizations, like the members of HPN and SAHF, to acquire foreclosed properties in the areas hardest hit by foreclosures, undertake the necessary rehabilitation, and find new residents.

Returning a foreclosed property to occupied status benefits the community as a whole. Where NSP is targeted effectively, it can stabilize and actually improve housing values in a distressed market. One HPN member organization, Atlanta Neighborhood Development Partnership (ANDP), using NSP resources in DeKalb County, Georgia, found that its work to reposition three properties in one neighborhood had the effect of raising the appraised value of a fourth home in the neighborhood by \$19,000 (more than 30%).

Those who might argue that NSP increases foreclosures are misguided: Lenders have every reason to avoid foreclosures as entering the foreclosure process is the most costly outcome in

mortgage servicing. Yet, for millions of homeowners, foreclosures are the only possible result because these households have lost their ability to pay the mortgage due to unemployment, medical issues, or a break up of a marriage (the three most common causes of mortgage delinquency in the U.S. today). In today's market, some homeowners walk away when the value of the property has declined too much below the outstanding debt. Rather than encouraging banks to foreclose, the primary effect of stabilizing housing values is to prevent further foreclosures – because neighboring homeowners can find a market for their homes when they want or need to sell and they are less likely to have underwater mortgages. NSP is a critical tool for helping to mitigate an otherwise very bad situation.

We strongly urge you to cancel the mark-up of this harmful legislation.

Sincerely,



Tom Bledsoe
President and CEO
Housing Partnership Network



William C. Kelly, Jr.
President
Stewards of Affordable Housing for the Future