



January 28, 2008

The Honorable Nancy Pelosi
Speaker of the House of Representatives
The Capitol
Washington, DC 20515

Dear Speaker Pelosi:

On behalf of the Mortgage Bankers Association (MBA), I am writing today to express our continued opposition to H.R. 3609, the "Emergency Home Ownership and Mortgage Equity Protection Act of 2007," which would allow bankruptcy judges to unilaterally change the terms of primary residence mortgage contracts. If enacted, this bill would cost home buyers hundreds of dollars every month and thousands of dollars a year – essentially a new tax on homeownership. The last thing potential homeowners and those looking to refinance need in this market are higher mortgage payments.

In order to educate consumers and policymakers on the negative consequences of the bill, MBA has launched a new bankruptcy resource center on its website: www.mortgagebankers.org/stopthecramdown. The website provides state and county-level data explicitly demonstrating how much more consumers would pay each month if the bill became law. MBA estimates that the change in bankruptcy law may increase interest rates across the board by at least 1.5 percentage points for those seeking to buy a home or refinance their existing loans. In California, where the average home price is \$331,926, homeowner's monthly principal and interest payment for a 6 percent, 30-year fixed rate mortgage is \$1,990 per month. However, if H.R. 3609 were enacted, holding everything else constant, the homeowner would pay \$2,321 per month, a \$331 increase every month, and an annual increase of \$3,970.

If bankruptcy judges are allowed to independently change the terms of a signed mortgage contract, which this bill would allow, lenders will face new uncertainty as to the value of the asset - the home - that is as the loan's collateral. To account for the new risk that, lenders will be forced to require higher down payments, higher costs at closing and higher interest rates, pushing the dream of homeownership beyond the reach of millions of families.

In addition to higher mortgage rates for everyone, we believe that homeowners who borrow through the Federal Housing Administration, Department of Veterans Affairs and Rural Housing Service will be hardest hit because these programs will not be able to insure against a cram down. In effect, the loan servicer will have to absorb these

losses, which are not at all anticipated under current law. As a result, borrowers will most likely be required to produce large down payments and increased fees to offset new risks. Areas prone to natural disasters would be particularly hard hit, as loan amounts could be crammed down to zero or close to zero, eradicating the creditor's claim and giving lenders no incentive to lend in these areas.

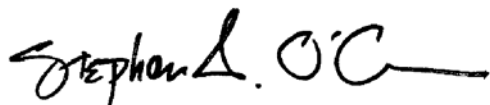
If this bill passes, we anticipate a substantial surge in Chapter 13 filings because the controls that currently limit lien stripping on *all other secured credit* are removed solely for home loan creditors. Moreover, by stripping a lien on a principal residence, it serves mostly to provide more funds to pay unsecured creditors such as credit card companies.

Moreover, the proponents of bankruptcy reform fail to acknowledge the very real and severe consequences for consumers who declare bankruptcy. For instance, the bankruptcy process is a long, arduous, very public and expensive process (court costs and legal fees average about \$3,000 per bankruptcy); and unfortunately, 64 percent of the repayment plans do not work. Filing bankruptcy will allow a federally appointed trustee to scrutinize every consumer's expenditure. Additionally, bankruptcy stays on a consumers' credit report for 10 years, making it difficult to acquire future credit, buy a home, car or insurance and in some cases, obtain employment. For an indication of how cumbersome the Chapter 13 bankruptcy process and proceedings are for consumers, please visit <http://www.bankruptcyvisuals.com/viewcharts.html>.

At a time when the mortgage market is already experiencing a serious credit crunch, this bill threatens to increase costs to consumers, destabilize the mortgage market and result in injury to the overall economy. We urge Congress to finish work on a stimulus bill that modernizes the FHA, helps increase mortgage liquidity in high cost areas through increased loan limits for the housing government sponsored enterprises and provides increased liquidity through state housing finance agencies. Congress should also pass a predatory lending bill that provides uniform protections for all consumers. Congress should not change the bankruptcy laws to help the few at the expense of increasing costs on every borrower seeking a new mortgage.

Again, MBA respectfully urges members of the House of Representatives to oppose this legislation and vote against it if it comes to a floor vote. Reopening the bankruptcy code would only further exacerbate the credit crisis, increase the costs of borrowing and ultimately hurt consumers.

Sincerely,

A handwritten signature in black ink that reads "Stephen D. O'Connor". The signature is written in a cursive, slightly slanted style.

Steve O'Connor
Senior Vice President
Government Affairs