



April 23, 2008

Dear Member of the Committee on Financial Services:

On Thursday, April 24th, the Committee on Financial Services is expected to consider H.R. 5830, the FHA Housing Stabilization and Homeownership Retention Act of 2008. The Mortgage Bankers Association is pleased to have the opportunity to share its thoughts on this important legislation.

MBA welcomes efforts to stabilize the market and help homeowners stay in their homes. We expect this legislation will help achieve these goals, despite a tough requirement that lenders aggressively write down principal balances of loans to be eligible for the new program. We note also that H.R. 5830 is consistent with a number of MBA policy principles on this issue, specifically it:

- creates a new program using an existing institution;
- is voluntary for servicers, lenders, trustees, security holders and investors;
- should not increase costs for future mortgage borrowers;
- is available only to borrowers who are current owner-occupants of the home;
- precludes borrowers who committed fraud in obtaining their loan;
- offers modifications based on the current market value of the home;
- requires consideration of the borrower's ability to repay the modified mortgage; and
- is not a bailout of servicers, lenders, security holders or investors.

Should the Committee wish to broaden the number of homeowners who would be helped by this legislation, we respectfully suggest that two specific areas be improved. We believe that there should be some additional flexibility in how much principal write-down must occur for participation in the program. We also believe that investors who agree to write-down the principal balance should have the ability to share in future home price appreciation.

As the Committee works to ease the housing crisis, we are concerned about amendments that could do permanent damage to the mortgage market. We remain strongly opposed to mortgage bankruptcy cram down provisions. We further suggest that efforts to require certain loss mitigation activities or other government efforts to legally bar foreclosure would be ill-advised.

Thank you for the opportunity to share MBA's position on this important issue. We look forward to continuing to work with you on efforts to address the current situation in the mortgage and broader credit markets.

Sincerely,

A handwritten signature in black ink that reads 'Stephen A. O'Connor'.

Stephen A. O'Connor
Senior Vice President of Government Affairs