

United States Senate
Washington, DC 20510-1304

March 24, 2014

The Honorable Mel Watt
Director
Federal Housing Finance Agency
400 7th St., SW
Washington, DC 20024

Dear Director Watt:

I urge you to consider the benefits of authorizing Fannie Mae and Freddie Mac (the GSEs) to offer principal reductions to homeowners who own more on their mortgages than their homes are worth.

In her semiannual report to Congress on February 11, 2014, Federal Reserve Chairman Janet Yellen noted that while the economy is improving across many areas, indicators show only slow recovery in the housing market. There are many challenges impeding this recovery, one of which is the large number of borrowers that remain underwater on their mortgages.

The 2008 financial crisis led to a decline in home prices and a \$7 trillion loss in home equity, forcing millions of American homeowners into default and foreclosure. According to data released by Corelogic, more than six million properties—or about thirteen percent of mortgages—are still underwater. While these numbers have declined since the height of the crisis, underwater mortgages still comprise a considerable portion of the \$13.2 trillion that the Federal Reserve reports in outstanding mortgage debt.

The benefits of principal reduction often outweigh the costs of default and foreclosure. Investors recognize that foreclosure carries the worst result for all parties and principal reduction has the highest rates of success among different types of modifications. The National Mortgage Settlement negotiated by state Attorneys General and the federal government required the nation's five largest mortgage servicers to provide relief to borrowers, including \$17 billion in principal reduction and loan modification. On March 18, the Monitor of the National Mortgage Settlement concluded that the banks completed their relief obligations, which included more than \$10.5 billion in principal reduction for first and second liens. Several states that received assistance through the Hardest Hit Fund also have developed principal reduction programs.

The recession may have ended almost five years ago, but many people continue to feel left behind. Millions of people in this country face economic conditions that already have led to the loss of countless homes. Given that the GSEs hold or guarantee about half of all outstanding mortgage debt, they are in an excellent position to reach many Americans still severely underwater with an option for principal reduction.

I urge you to allow the GSEs to offer principle reductions to help American homeowners who desperately need meaningful restructuring of their mortgages to avoid foreclosure.

Sincerely,

A handwritten signature in blue ink that reads "Dick Durbin". The signature is written in a cursive, flowing style.

Richard J. Durbin
United States Senator