

Bilingual Weekly

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WASHINGTON, D. C. – Earlier this month, a \$25 billion settlement was announced for 49 states to help former and current homeowners who have struggled in the wake of the foreclosure crisis, including California. Although five major banks—Bank of America, Wells Fargo, J.P. Morgan Chase, Ally Financial, and Citigroup—are participating in the settlement, homeowners with loans secured by Government-Sponsored Enterprises (GSEs) are not eligible for that assistance. The GSEs, including Freddie Mac and Fannie Mae, own or secure approximately 60 percent of the mortgages in the country.

“We must break up the housing logjam to get our economy back on track. This means enacting commonsense measures like principal reductions to help underwater homeowners. For our economy to become strong again, we have to take steps to keep people in their houses,” said Congressman Jerry McNerney (CA-11).

The Federal Housing Finance Agency (FHFA) had promised that it would reconsider its position if other funds became available for principal write-downs, which happened on January 27, 2012. The Treasury Department announced that it would triple incentives for investors offering principal reductions through the Home Affordable Modification Program (HAMP).

“Our region has been devastated by the ongoing housing crisis. I will continue to call on the administration to develop a real action plan to help us weather this storm and grow our economy. The recent settlement with the banks was a good step, but more must be done. Only when we stabilize our housing market will we be able to return to a pattern of economic progress,” said McNerney.

McNerney was joined by over one hundred of his colleagues in sending a letter to Ed DeMarco on February 27, 2012 who is the Acting Director of the FHFA. The letter calls on him to allow underwater homeowners to receive principal reductions.

On February 9th, Mark Zandi, Chief Economist at Moody's Analytics, told the Senate Banking Committee that encouraging more principal reductions offers "the best odds of ending the housing crash more quickly and definitively."

"Despite this weight of expert opinion, you have refused to permit Fannie Mae and Freddie Mac to write down the principal balances of any underwater mortgages, even in cases where it can be demonstrated that doing so would yield the greatest long-term savings for taxpayers," said McNerney in the letter to DeMarco.

McNerney added, "We therefore urge you to harness your agency's powers, resources, and financial expertise to prevent more foreclosures and reduce negative equity."