

November 26, 2012

Edward J. DeMarco  
Federal Housing Finance Agency Administration  
c/o Office of Policy Analysis and Research  
400 Seventh Street SW., Ninth Floor,  
Washington, DC 20024,

[gfeeinput@fhfa.gov](mailto:gfeeinput@fhfa.gov)

Dear Mr. DeMarco:

We the undersigned community and faith based organizations would like to offer comment on and urge the Federal Housing Finance Agency (FHFA) to withdraw its proposal to institute state level guarantee fees (g-fee) adjustments. We find the Agency's reasoning deeply flawed in the specific and disturbing in its implications.

FHFA's proposal is to raise g-fees for new mortgages in states where FHFA has determined that homeowner protection laws have lengthened the foreclosure process and where they believe it makes it more costly for the Enterprises. Raising the g-fee is FHFA's attempt to make up the difference. The immediate result would be increasing the cost of a mortgage in these states. For low and moderate-income families, this could mean the difference between the ability to qualify for a mortgage or not and may lock many families out of the market.

FHFA's proposal is based on the assumption that the longer the foreclosure process, the more costly it is and that the fault for this must lie with laws that put the interest of homeowners above speedy foreclosures. This assumption is flawed on both counts.

First, FHFA did no analysis to find out if more homes were saved from foreclosure as a result of homeowner protection laws, which would result in a net savings. It is always less costly to keep a family in their home and paying on their mortgage than allow it to be foreclosed upon and sold as an REO. It is a bizarre assumption the length of foreclosure alone is the only determinate of cost.

Second, the proposal would penalize new homeowners for what is quite often the mismanagement of mortgage servicing companies. From illegal robo-signing to chain of title problems to basic incompetence, it is the experience of those who work day in and day out with homeowners, mediators and judges that it is most often the servicers who are slowing the process so significantly. FHFA is shooting at the wrong target and should instead concentrate on improving the behavior of its contractors in the servicing industry.

Finally, we are truly disturbed by the wide-ranging implications of this proposal. FHFA has singled out specific state laws for punishment – and offers a clear threat to states that have recently enacted or are considering enacting homeowner protection laws that they will be retaliated against as well. State legislators must wonder what will be next? Will states that prosecute mortgage fraud be found - on the flimsiest of premises - to have a destabilizing influence on the market and their citizens punished for it? FHFA, which is run by an unelected federal appointee, is attempting to intimidate off the books state legislation that was passed in the best interests of citizens by their elected representatives.

In the end this proposal puts FHFA in conflict with its congressional mandate. FHFA has statutory responsibility to preserve taxpayer assets, help foster a functioning housing market and help homeowners avoid foreclosure. This proposal does not convincingly help preserve taxpayer assets and it directly conflicts with fostering a functioning market and helping homeowners and it should be withdrawn.

Sincerely,

Alliance for a Just Society  
Home Defenders League  
Leadership Center for the Common Good  
National People's Action  
New Bottom Line  
PICO National Network  
Right to the City

Alliance to Develop Power (MA)  
Alliance for Immigrant Rights/Michigan Organizing Collaborative (MI)  
Causa Justa::Just Cause (CA)  
Colorado Progressive Coalition  
Communities United for Action (OH)  
Connecticut Citizen Action Group  
Contra Costa Interfaith Supporting Community Organization (CA)  
Homeowners in Action (CA)  
Idaho Community Action  
Illinois Indiana Regional Organizing Network  
Illinois People's Action  
Iowa Citizens for Community Improvement  
Lakeview Action (IL)  
Mahoning Valley Organizing Collaborative (OH)  
Missourians Organizing for Reform and Empowerment  
Northside P.O.W.E.R. (IL)  
Northwest Indiana Federation of Inter-Faith Organizations

Ohio Organizing Collaborative  
People United for Sustainable Housing, Buffalo (NY)  
Progressive Leadership Alliance of Nevada  
South Austin Community Coalition Council (IL)  
Southsiders Organized for Unity and Liberation (IL)  
Sunflower Community Action (KS)  
Syracuse United Neighbors (NY)  
TakeAction Minnesota  
Together Colorado  
Washington Community Action Network (WA)