Congress of the United States
Washington, DC 20515

May 25, 2012

The Honorable Timothy Geithner
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington DC, 20220

Mr. Edward DeMarco
Acting Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

Dear Messrs. Secretary and Acting Director:

We write to you out of concern with the state of the Administration's implementation of various housing recovery programs, specifically the Hardest Hit Fund (HHF) and the newest iteration of the Home Affordable Refinance Program (HARP 2.0). According to numerous accounts, these programs are falling well short of their goals of assisting homeowners.

A recent report by the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) found that HHF, which was designed to provide funding to states to assist homeowners with mortgage payments, has only spent 3 percent of its funding and only helped 30,640 homeowners since 2010. Eligible activities under HHF included principal reduction, payoff of second liens, reinstatement of the mortgage through the payment of past due amounts, mortgage assistance for unemployed homeowners, and assistance for families to transition out of homeownership, such as short sales or deeds-in-lieu of foreclosure.

Despite the wide breadth of activities eligible for HHF, the vast majority of funds, or 78 percent, that were spent, were spent on assistance for unemployed homeowners. The report found that servicers leaned on these programs because they were the only ones that Fannie Mae and Freddie Mac would allow them to participate in. It appears that there was a serious lack of coordination between Treasury and the GSE's regulator, which contributed to the program's performance.

Therefore, we do not believe that the abysmal spend-out rate of program funds is the fault of the states that received HHF, which totaled $7.6 billion nationally. Rather, we agree with the findings of the SIGTARP report that Treasury made critical errors in its design, implementation, and oversight of the program. According to SIGTARP:

> *HHF lacked comprehensive planning by Treasury, which rushed out the program without appropriate collaboration of key stakeholders. Treasury's decision to give one to two days' notice to states and six to eight weeks to develop programs caught several states off guard. Several states delayed HHF programs because the large mortgage servicers were*

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not participating... One great shortcoming in HHF's implementation was Treasury's lack of timely action to enlist large servicer support for and participation in state HHF programs while leaving it to the [state housing finance agencies]to negotiate with servicers... As was clear in the beginning of HHF, states need Treasury's help and support to increase the number of homeowners helped...

We are extremely disappointed by these findings as we believed that HHF had the potential to assist hundreds of thousands of homeowners. For example, in the state of California, which has spent 11 percent of its funds, HHF only assisted 4,357 homeowners. According to CoreLogic, from March 2010 to March 2012, over 350,000 California families lost their homes to foreclosure. We view the stalled progress of HHF as a serious impediment to the nation's housing and economic recovery and we call on you to immediately implement the recommendations in the SIGTARP report.

The revelations about the shortcomings in HHF become more serious in light of the reported shortcomings of HARP 2.0. According to numerous reports, the program is failing to serve homeowners who are severely underwater, the very constituency it was designed to support. For example, according to an analysis by Inside Mortgage Finance, while HARP loans rose 93 percent from the last quarter of 2011 to the first quarter of this year, only 21 percent of those loans were for mortgages where the borrower had a loan-to-value ratio of more than 105 percent.

The participation of banks in HARP 2.0 is also a problem. According to the Federal Reserve's April 2012 Senior Loan Officer Opinion Survey on Bank Lending Practices, 70 percent of banks are either not actively soliciting HARP 2.0 applications or have participated very little in the program.

For the banks that are participating, many of them have added their own requirements on top of HARP 2.0 requirements that are either pushing otherwise qualified borrowers out of the program or forcing them to refinance at a higher price. For example, several major banks are not refinancing loans that they do not already service. This prevents homeowners from shopping around for the best price, a task that is essential since banks are charging higher than market rates for HARP 2.0 refis. According to one analysis, banks are charging between 3.5 and 7 points for HARP 2.0 loans, with some banks charging even more.

We fail to see how additional credit requirements, limited consumer choice, and higher than market fees are a benefit to the nation's homeowners or to our overall housing market. It is clear to us that HARP 2.0 is not serving the homeowners it was designed to serve. It is also clear that the homeowners who the program does manage to serve are not being served well or even fairly. We call upon you to take immediate action to prohibit these activities in the HARP 2.0 program so that it works for underwater homeowners and not against them.

Despite numerous interventions by the Administration, the housing market remains weak and its recovery remains an obstacle to our country's broader economic growth. While we believe that our government's interventions are necessary for the sake of the economy, we do not believe in interventions that do not work well or that do not work as intended. We want these

programs to be successful and we call upon you to correct these errors in these programs so that neither they nor the concept of government intervention in the housing market can be called into question.

We look forward to your prompt response. Please contact Charla Ouertatani or Amanda Fischer with Rep. Waters at 202-225-2201 with any questions about this letter.

Sincerely,

Rep. Maxine Waters

Rep. Barney Frank

Rep. Carolyn Maloney

Rep. Melvin L. Watt

Rep. Gary Ackerman

Rep. Michael Capuano

Rep. Ruben Hinojosa

Rep. William Lacy Clay

Rep. Joe Baca

Rep. Brad Miller

Rep. David Scott

Rep. Al Green

Rep. Emanuel Cleaver

Rep. Keith Ellison

Rep. Andre Carson

Rep. Gary Peters

Rep. John Conyers

Rep. Mike Honda

Rep. Dennis Cardoza

Rep. Dennis Kucinich

Rep. John Lewis

Rep. Jose Serrano

Rep. Raul Grijalva

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Rep. Hansen Clarke

Rep. Jesse Jackson, Jr.

Rep. Bob Filner

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Rep. Janice Schakowsky

Del. Eleanor Holmes Norton

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Rep. Russ Carnahan

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Rep. Chaka Fattah

Rep. Dale Kildee

Rep. Grace Napolitano

Del. Donna Christensen

Rep. Danny Davis

Rep. Lynn Woolsey

Rep. Steve Cohen

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Rep. Janice Hahn

Rep. Jim Costa

Rep. David Cicilline

Rep. Robert Brady

Rep. Bobby Scott

Rep. Doris Matsui