# Congress of the United States
## Washington, DC 20515

December 13, 2010

Edward DeMarco
Acting Director, Federal Housing Finance Agency
1700 G Street, NW – 4th Floor
Washington, DC 20552

Dear Mr. DeMarco:

We write to express serious concern regarding recent reports that the Obama Administration is pressuring Fannie Mae and Freddie Mac to begin writing down mortgage principal in order to qualify underwater borrowers for lower-rate Federal Housing Administration (FHA) mortgages. Fannie and Freddie's participation in the FHA's loan modification program would increase taxpayer losses – already approaching $150 billion – and run counter to the statutory obligation of the Federal Housing Finance Agency (FHFA) to minimize taxpayer exposure from the GSEs' conservatorships.

The FHA refinance program is designed to reach borrowers who might otherwise walk away from their responsibilities because they owe more on their mortgages than their homes are worth. In order to obtain a principal write-down, the borrower must be current on their mortgage, have a negative equity position and qualify for the new loan under standard FHA underwriting requirements. Since the program targets performing loans, it raises the question why it would be in the best interest of the U.S. taxpayer for Fannie and Freddie to write down principal on these types of loans.

Before a decision is made by Fannie and Freddie to participate in any loan modification program that involves principal write-downs, we request a full report detailing the costs associated with participating in such a program. The report should project taxpayer losses, including costs related to principal write downs as well as administrative expenses. Finally, the report should explain why Fannie and Freddie's participation in the loan modification program would be in the best interest of the U.S. taxpayer, and how it is consistent with FHFA's statutory mandate to minimize taxpayer losses.

It is the responsibility of Congress and FHFA to ensure that taxpayer dollars are being spent in the most prudent manner. It appears that writing down loan principal for homeowners who are current on their mortgages simply because they *may* walk away from their homes does not fulfill our obligation to protect U.S. taxpayers.

Sincerely,

Rep. Spencer Bachus
Committee Chairman - elect
House Financial Services Committee

Rep. Randy Neugebauer
Subcommittee Chairman - elect
Oversight and Investigations

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Rep. Jeb Hensarling
Vice Chairman – elect
House Financial Services Committee

Rep. Scott Garrett
Subcommittee Chairman – elect
Capital Markets and Government-Sponsored Enterprises

Rep. Judy Biggert
Subcommittee Chairman – elect
Insurance, Housing and Community Development