

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515**

February 7, 2013

The President  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

Dear Mr. President:

We are writing to urge you to nominate a permanent director of the Federal Housing Finance Agency (FHFA). We applauded your nomination of Joseph A. Smith Jr. to this position in 2010, and we were disappointed when his nomination was blocked in the Senate. However, it has been three and half years since Edward J. DeMarco was designated as the Acting Director of the agency. We believe your reelection is a prime opportunity to put forth a new candidate who is ready and willing to implement all of Congress' directives to meet the critical challenges still facing our nation's housing finance markets.

Although the housing sector is recovering slowly, Federal Reserve Chairman Ben Bernanke warned in a speech in November that "the housing revival still faces significant obstacles," and that the "degree to which that challenge is met will help determine the strength and sustainability of the economic recovery." As of last month, approximately 10.9 million residential borrowers still owe at least 25% more on their mortgages than the value of their homes. It is imperative that we have a strong leader at FHFA to take on these challenges, strengthen the housing market, and promote our nation's continued economic recovery.

Under the Housing and Economic Recovery Act of 2008, Congress charged the Director of FHFA with overseeing Fannie Mae and Freddie Mac to ensure that their operations "foster liquid, efficient, competitive, and resilient national housing finance markets (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities)." In addition, as part of the Emergency Economic Stabilization Act of 2008, Congress directed FHFA to "maximize assistance for homeowners" and "to minimize foreclosures," and it granted explicit authority to modify mortgage loans through the "reduction of loan principal."

During Mr. DeMarco's tenure, he has declined to fully and effectively implement these laws. When Mr. DeMarco testified before the Committee on Oversight and Government Reform

in November 2011, he asserted that the “use of a principal reduction within the context of a loan modification is not going to be the least-cost approach by the taxpayer to allow this homeowner an opportunity to stay in their home.” His testimony has since been contradicted by FHFA’s own data, which indicate that principal reduction loan modifications could save U.S. taxpayers billions of dollars compared to allowing underwater homes to go into foreclosure, and that principal reduction loan modifications could save taxpayers hundreds of millions of dollars compared to Mr. DeMarco’s preferred alternative of principal forbearance.

More troubling, Mr. DeMarco refused to allow the implementation of a pilot program to examine whether a principal reduction program could reduce costs to taxpayers while helping borrowers stay in their homes. One such pilot program, which was developed by Fannie Mae and Citibank after months of study and analysis, was terminated due to unspecified “operational” challenges. By not supporting this pilot program—even after the Department of Treasury offered funds to help cover its operational expenses—Mr. DeMarco demonstrated that he is not interested in obtaining real-world evidence that might contradict his pre-established views.

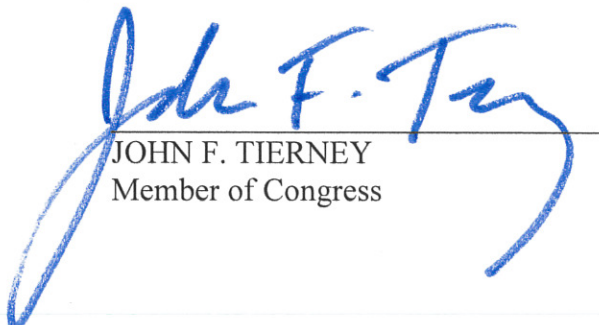
Finally, rather than taking steps to help homeowners facing foreclosure, FHFA recently proposed an action that appears to penalize borrowers arbitrarily. Specifically, FHFA proposed increasing state-level guarantee fees charged by Fannie Mae and Freddie Mac on new borrowers in the five states with the longest average foreclosure timelines. Yet, FHFA provided no analysis to support its recommendation. If implemented, this proposal may unfairly punish borrowers without identifying or addressing specific factors that lengthen foreclosure times, such as inadequate business practices by mortgage companies servicing loans under FHFA’s conservatorship.

Ensuring that FHFA implements Congressional directives to support the most liquid, efficient, competitive, and resilient housing finance markets is a matter of national urgency. For these reasons, we strongly urge you to nominate an FHFA Director who is ready to fulfill this mission and address the many challenges still facing the nation’s housing finance markets.

Sincerely,



ELIJAH E. CUMMINGS  
Member of Congress



JOHN F. TIERNEY  
Member of Congress

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Zoe Luff

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~~me~~ Shoo

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James P. McGowan

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Tony Cardenas

Jerald Nadler

Alan Lal

The following members signed the letter:

Rep. Elijah E. Cummings  
Rep. John. F. Tierney  
Rep. Ami Bera  
Rep. Lois Capps  
Rep. Tony Cárdenas  
Rep. Matt Cartwright  
Rep. Judy Chu  
Rep. David Cicilline  
Rep. Wm. Lacy Clay  
Rep. Rep. Steve Cohen  
Rep. John Conyers, Jr.  
Rep. Jim Costa  
Rep. Susan Davis  
Rep. Keith Ellison  
Rep. Anna G. Eshoo  
Rep. Sam Farr  
Rep. Marcia L. Fudge  
Rep. John Garamendi  
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Rep. Al Green  
Rep. Raúl M. Grijalva  
Rep. Rubén Hinojosa  
Rep. Mike Honda  
Rep. Hank Johnson  
Rep. Marcy Kaptur  
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Rep. Doris Matsui  
Rep. James P. McGovern  
Rep. Jerry McNerney  
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Rep. Grace Napolitano  
Rep. Eleanor Holmes Norton  
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Rep. Lucille Roybal-Allard  
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Rep. Jackie Speier  
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