



July 15, 2013

Dear Members of Congress,

We write out of deep concern over the financial industry's effort to promote legislation or administrative action that would undercut the ability of communities to find local solutions to the continuing housing crisis. **We urge you to watch for and reject measures that would mandate discrimination by federal agencies against mortgage loans made in communities that implement local principal reduction programs.**

Predatory and irresponsible lending practices by the nation's largest banks were at the root of the financial crisis that drove the country into the great recession and continues to hurt millions of families. The crisis has affected everybody and disproportionately hurt communities of color: underwater rates are approximately 50 percent higher among African American and Latino homeowners and in neighborhoods of color foreclosure rates are almost three times those in predominantly white areas.

A number of municipalities are now exploring ways to restore community wealth and inject money back into local economies by purchasing mortgages, through traditional eminent domain authority if necessary, and resetting the mortgages to fair market value so that homeowners can avoid foreclosure and begin rebuilding equity. These cities – including El Monte, La Puente and Richmond, California – have large African American and/or Latino populations that were hit incredibly hard by the mortgage crisis.

In response to these local proposals, the Securities Industry and Financial Markets Association (SIFMA) has formally announced its intention redline any communities that make use of this authority.¹ After decades of redlining and years of predatory and discriminatory lending (i.e., reverse redlining), the Wall Street banks that are members of SIFMA are proposing steps that could once again deny credit to – or make credit more expensive for – communities of color.

Three of SIFMA's allies in Congress have recently asked the Federal Housing Authority to alter its rules so as to deny qualified homeowners access to FHA loans if the homeowners' cities have purchased their previous mortgage through eminent domain.² SIFMA has also asked the Federal Housing Finance Agency to alter the regulations governing Fannie Mae and Freddie Mac so that those entities will not purchase new mortgages on such homes.³ In late June, SIFMA attempted to insert language into the appropriations bill for the Department of Housing and Urban Development that would mandate these discriminatory changes to FHA policies.

We urge you to reject any proposals mandating that HUD or the FHFA discriminate against homeowners in cities that make use of their eminent domain authority to achieve principal reduction. Introducing new policies to redline qualified buyers would undercut fair lending and housing laws and policies and have a disparate impact on communities of color. Such action Congress or federal agencies would be a slap in the face to the cities and towns that were hardest hit by the housing crisis and are now working with local citizens and tax payers to find democratic, local solutions to the problem.

Sincerely,

Action Now

Action NC

AFL-CIO

AFSCME

Alliance for a Just Society

Alliance of Californians for Community Empowerment

American Federation of Teachers

Americans for Financial Reform

Arkansas Community Organizations

California Reinvestment Coalition

Center for Popular Democracy

City Life/Vida Urbana

Civil Justice

Common Good Ohio

Communication Workers of America

Courage Campaign

Delaware Alliance for Community Advancement

Home Defenders League

Idaho Community Action Network
 ISALAH
 Jewish Community Action
 Leadership Center for the Common Good
 Living United for Change in Arizona
 Los Angeles Alliance for A New Economy
 Maryland Communities United
 Minnesota Neighborhoods Organizing for Change
 Minnesotans for a Fair Economy
 Missourians Organizing for Reform and Empowerment
 National Association of Consumer Advocates
 National Consumer Law Center
 National Fair Housing Alliance
 National People's Action
 New Bottom Line
 New Jersey Communities United
 New York Communities for Change
 PICO National Network
 Public Justice Center
 Rebuild the Dream
 Right to the City Alliance
 SEIU 32BJ
 SEIU 775NW
 SEIU 925
 SEIU1021
 SEIU Healthcare Minnesota
 SEIU International
 SEIU Local 26
 SEIU Local 284
 SEIU Local 503
 1199SEIU United Healthcare Workers East
 Southsiders Organized for Unity and Liberation
 UAW Local 4123
 Washington Community Action Network
 Working Families Party

Cc: Secretary of Housing and Urban Development Sean Donovan
 Federal Housing Finance Agency Acting Director Edward DeMarco

¹ See 7/19/12 SIFMA Press Release, at www.tinyurl.com/SIFMAdocuments, stating that "SIFMA is issuing this statement today to introduce a policy regarding the interaction of eminent domain with TBA trading. Loans to borrowers residing in areas that municipalities have initiated condemnation proceedings to involuntarily seize mortgage loans through their powers of eminent domain will not be deliverable into TBA-eligible securities on a going-forward basis." Prohibiting the securitization of loans from these cities will raise interest rates and monthly payments on mortgages.

² See 6/11/13 Letter from Representatives Ed Royce, Gary Miller, and John Campbell to Secretary of the Department of Housing and Urban Development Shaun Donovan, at www.tinyurl.com/SIFMAdocuments.

³ See 7/12/12 Email from SIFMA Managing Director Richard Dorfman to Acting Director of the Federal Housing Finance Agency Edward DeMarco, at www.tinyurl.com/SIFMAdocuments.