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July 13, 2016

The Honorable Jeb Hensarling, Chairman  
Committee on Financial Services  
United States House of Representatives  
Washington, DC 20515

The Honorable Maxine Waters, Ranking Member  
Committee on Financial Services  
United States House of Representatives  
Washington, DC 20515

**Re: Today's Hearing on "HUD Accountability" and Distressed Asset Sales**

Dear Chairman Hensarling and Ranking Member Waters:

On behalf of The Leadership Conference on Civil and Human Rights, a coalition of more than 200 national advocacy organizations, we write to express our strong support for the Department of Housing and Urban Development's (HUD) June 30 changes to its Distressed Asset Stabilization Program (DASP). We believe that the policies announced by HUD will go a long way in helping borrowers stay in their homes and will support neighborhoods that are struggling the most to recover from the 2008 mortgage crisis.

We are troubled that some Committee members, as evidenced by the Committee's July 7 press release announcing today's hearing, and a March 21 letter by Chairman Hensarling and Senate Banking Committee Chairman Richard Shelby (R-AL), have objected to HUD's most recent changes to the DASP program. While we are confident that HUD Secretary Julian Castro will more than adequately address the concerns that have been raised, we would like to add our perspective on why the changes are so important to the communities we represent, to the housing market, and to taxpayers in general.

To date, the housing assets that have been sold through DASP have been heavily located in communities of color, communities that lost a disproportionate share of wealth during the foreclosure crisis. According to a study by the Center for American Progress of loans sold through DASP in national auctions between 2012 and 2014, approximately 63 percent of notes were located in communities with higher-than-average rates of underwater borrowers. About 69 percent of loans came from communities with unemployment rates of more than 8 percent, and 84 percent of loans came from communities with a percentage of minority population that is higher than the national median.

For some time, The Leadership Conference and its coalition partners have voiced concerns about the implementation of the DASP program. The overwhelming majority of loans sold under the program – more than 98 percent from 2012 to 2016 – have been purchased by for-profit investment firms. During that time, some of these firms have failed to properly maintain foreclosed properties, or have even walked away altogether from some vacancies. Such actions contribute to neighborhood blight, reduced property values in neighboring



homes (which often increases the likelihood of losses spreading to FHA-insured loans on these homes), increased rates of crime, and drained local governments of scarce financial resources.

In response, HUD's June 30 changes to the DASP program make several key reforms that will benefit homeowners, neighborhoods, and taxpayers alike. First, HUD will require all investors to consider principal reduction as the first option when offering loan modifications to struggling borrowers. This is important because too many homeowners still owe more money on mortgages than their homes are actually worth, and principal reduction is often the only way to stave off more significant losses – both on the loan itself and to surrounding homes – in the long term. Second, HUD will slightly increase the number of DASP sales to qualified non-profits and local governments. While the overwhelming majority of DASP loans will still be sold to private for-profit investors, local non-profits and governments bring with them a significant understanding of – and more importantly, a greater stake in – the communities that will be affected by loan sales. Finally, HUD will make other changes to ensure that borrowers will be more likely to stay in their homes, including through the reduction of “payment shocks” on loan modifications and a prohibition on investors “walking away” from lower-value homes, which contributes to neighborhood blight.

While we cannot expect any program to eliminate all foreclosures, it ought to be abundantly clear by now that maximizing sustainable owner-occupied housing is the ideal outcome in any situation, not only for individual communities but for HUD's bottom line as well. At a time in which minority homeownership remains significantly lower than the national average, The Leadership Conference and its coalition partners are especially pleased that HUD is taking steps to keep families in their homes. As an organization that has long urged reforms to the DASP program, we strongly disagree with any allegations that HUD's announcement is somehow rooted in election-year politics. This is simply good policy.

Thank you for the opportunity to present our views in light of today's hearing. If you have any questions, please feel free to contact either of us, or Senior Counsel Rob Randhava, at (202) 466-3311.

Sincerely,

Wade Henderson  
President & CEO

Nancy Zirkin  
Executive Vice President