

## Pledges to Provide Members an Assessment in Two Weeks

Washington, DC (Oct. 26, 2011)—During a meeting today with 19 Members of Congress, Edward DeMarco, the Acting Director of the Federal Housing Finance Agency (FHFA), praised a principal reduction proposal by Rep. Zoe Lofgren and pledged to provide an assessment within two weeks of how it could be implemented.

Rep. Elijah E. Cummings, the Ranking Member of the House Committee on Oversight and Government Reform, hosted the meeting with Rep. Dennis Cardoza, Co-Chair of the Housing Stabilization Task Force, to discuss additional measures to address the foreclosure crisis.

Members lauded the latest move by FHFA. In response to DeMarco’s comments, Cummings said, “If Mr. DeMarco actually works with us to implement this proposal, it would be an important step to address this crisis, especially on the heels of his announcement Monday that he will implement the President’s plan to help responsible American homeowners refinance at today’s historically low rates.”

Rep. Lofgren stated, “I am encouraged that the Federal Housing Finance Agency is considering a plan similar to the one I’ve long advocated. Allowing homeowners to pay down the principal balances on their mortgages more rapidly in conjunction with Chapter 13 filings is a sensible solution. Linking this to the bankruptcy process will help those who truly need it and avoid the administrative failures that have plagued other modification initiatives. I believe this plan is entirely consistent with FHFA’s obligation to minimize taxpayer losses in Fannie Mae and Freddie Mac, and I look forward to Director DeMarco’s answer two weeks from now.”

[Rep. Lofgren’s proposal](#) would allow homeowners in Chapter 13 bankruptcy to pay down loan principal and reduce negative equity during a five-year period with no interest. In exchange, homeowners would agree to settle claims against servicers, thereby avoiding litigation and reducing taxpayer liability.

During today’s meeting, Mr. DeMarco said his legal team had already begun reviewing the proposal. “Based on initial feedback,” he said, the proposal “has a lot of promise,” “strikes me

as being responsible,” and appears to be a “credible way” to address the crisis while recognizing various interests in mortgaged properties. He committed to Members that he would provide a more detailed assessment of the proposal within two weeks.

Today’s meeting was a follow-up to a previous meeting Cummings and Cardoza hosted on [October 6, 2011](#)

, during which Members pressed DeMarco to implement the President’s recent proposal to eliminate barriers faced by underwater homeowners seeking to refinance their mortgages at current market interest rates. DeMarco announced on Monday that FHFA would be taking several steps to reduce these barriers.

Cummings issued a release on Monday stating, “I commend the President for proposing this idea in his speech to Congress, and I thank Mr. DeMarco for listening to the concerns of Members and their constituents. The changes announced today will provide additional relief for middle-class Americans and an important boost for our economy. But we must not stop here. Economists warn that the housing crisis is ‘ground zero’ for the economy and jobs, and this is only one modest step towards addressing it.”

More and more economists are concluding that some form of principal reduction is necessary to address the housing crisis. [Attached](#) are some key quotes.