

Also Raise Concerns About Failure to Request Documents from Citibank

Washington, DC (Mar. 23, 2012)—Today, Rep. Elijah E. Cummings, Ranking Member of the House Committee on Oversight and Government Reform, and Committee Member John F. Tierney called on Edward DeMarco, the Acting Director of the Federal Housing Finance Administration (FHFA), to comply with previous requests for information about his refusal to allow Fannie Mae and Freddie Mac to utilize principal reductions to address the nation's housing crisis, even though his own data show they could save U.S. taxpayers billions of dollars.

[Press reports](#) today indicate that “both firms have concluded that giving homeowners a big break on their mortgages would make good financial sense” and that DeMarco may be reevaluating his opposition in light of the triple incentives for principal reduction recently offered by the Department of Treasury.

“We are encouraged by reports that Mr. DeMarco may be reconsidering his opposition, but we remain concerned that he has failed to provide us all of the analyses related to his decision to prohibit principal reduction programs at Fannie and Freddie,” said Cummings. “He said he would submit this information by next week, so we expect it to include all of these analyses, including recent reports from Fannie and Freddie as well as information on a principal reduction pilot program that was cancelled in 2010.”

“Economists [agree](#) that well-designed, targeted principal reduction programs can help both homeowners and taxpayers, and this is one reason mortgage banks already use this tool to help their own bottom lines,” said Tierney. “We need to help our communities and our constituents by basing our nation's policies on facts rather than ideological or political concerns.”

Cummings and Tierney have led the effort over the past year to press DeMarco to comply with existing law requiring him to maximize assistance to American homeowners—including through

principal reduction—and to provide legitimate data to validate his suspect claims that principal reduction does not serve taxpayer interests.

On February 8, 2012, Cummings and Tierney wrote a [letter](#) to DeMarco revealing that data he submitted to Congress in January showed that principal reduction would save U.S. taxpayers billions of dollars compared to allowing underwater homes to go into foreclosure, and that principal reduction could save U.S. taxpayers hundreds of millions of dollars compared to DeMarco's preferred alternative of principal forbearance.

These data directly contradict DeMarco's [testimony](#) before the Oversight Committee on November 16, in which he stated that principal reduction "is not going to be the least-cost approach for the taxpayer."

Based on these revelations, in their letter, Cummings and Tierney requested more detailed information about DeMarco's analyses and set a deadline of February 29, 2012. To date, DeMarco has provided no additional documents, although he has indicated that he would provide them by March 30, 2012.

Citibank Reveals Role in Pilot Program; DeMarco Yet to Seek Documents

The Congressmen's [February 8](#) letter also criticized DeMarco for failing to disclose the existence of a pilot program that was approved by Fannie Mae in 2010 to test principal reduction models that utilize "shared equity" approaches.

According to a former Fannie Mae employee who contacted Cummings and Tierney, officials identified a major mortgage servicing company that was willing to become a partner in this program, and analytical modeling was conducted by both Fannie Mae and the mortgage servicing company.

After six months of development work, and two weeks prior to its launch, the pilot program was cancelled in mid-2010 by senior executives who were "philosophically opposed to writing down principal balances," according to the former employee.

Cummings and Tierney have now learned that Citibank was the bank participating in this pilot program. In recent discussions with Committee staff, Citibank officials indicated that they believe the pilot program was “worthwhile,” but that Fannie Mae’s “relationship officer” informed them it was being cancelled without disclosing who ultimately made the decision.

In their February letter, Cummings and Tierney requested that FHFA produce all documents relating to this pilot program. However, Citibank officials informed Committee staff that FHFA has not contacted them to request documents responsive to this request, raising additional questions about DeMarco’s responses to Congress.