Washington, D.C. (Feb. 7, 2013)—Today, a group of 45 Members of the House of Representatives led by Rep. Elijah E. Cummings, Ranking Member of the House Committee on Oversight and Government Reform, and Committee Member John F. Tierney sent a letter to President Obama urging him to nominate a permanent director of the Federal Housing Finance Agency (FHFA).

"Ensuring that FHFA implements Congressional directives to support the most liquid, efficient, competitive, and resilient housing finance markets is a matter of national urgency," the Members wrote. "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."

In the three and a half years since Edward J. DeMarco was designated Acting Director of FHFA, questions have persisted about his repeated failure to utilize the authorities available to FHFA to promote a healthy housing finance market. Specifically, the Members point to DeMarco's failure to authorize a loan modification pilot program that would test whether a principal reduction program could save taxpayers money while helping borrowers keep their homes.

Today's letter confirms the growing worries surrounding the current direction of FHFA, while emphasizing the immediate need for a strong leader at FHFA who is willing and able to tackle the critical challenges facing the housing sector.

The following Members signed the letter: Reps. Ami Bera, Lois Capps, Tony Cárdenas, Matt Cartwright, Judy Chu, David Cicilline, Wm. Lacy Clay, Steve Cohen, John Conyers, Jr., Jim Costa, Elijah E. Cummings, Susan Davis, Keith Ellison, Anna G. Eshoo, Sam Farr, Marcia L. Fudge, John Garamendi, Joe Garcia, Al Green, Raúl M. Grijalva, Rubén Hinojosa, Mike Honda, Hank Johnson, Marcy Kaptur, Barbara Lee, Zoe Lofgren, Doris Matsui, James P. McGovern, Jerry McNerney, George Miller, Jerrold Nadler, Grace Napolitano, Eleanor Holmes Norton, Mark Pocan, Lucille Roybal-Allard, Linda T. Sánchez, Loretta Sanchez, Janice Schakowsky, Adam B. Schiff, Louise M. Slaughter, Jackie Speier, Eric Swalwell, Mike Thompson, John. F. Tierney, and Henry Waxman.

Below is the full letter:

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,