

November 19, 2008

**By Email and Fax**

The Honorable Steve Preston  
Secretary  
U.S. Department of Housing and Urban Development  
451 Seventh Street, S.W.  
Washington, D.C. 20410

The Honorable Jim Nussle  
Director  
Office of Management and Budget  
Eisenhower Executive Office Building  
Washington, D.C. 20503

Re: The Importance of Continuing *FHASecure*

The undersigned organizations are joining in this letter to express full and united support for the continuation of the *FHASecure* program. Our economic system is enveloped in an unprecedented crisis with poorly functioning capital markets and a growing number of troubled borrowers in need of immediate help. It is a difficult situation, and all involved, including the Department of Housing and Urban Development (HUD), are struggling to find every reasonable option.

The *FHASecure* program has proven to be an effective and critically important tool to assist distressed homeowners. Its current sunset date, December 31, 2008, is too early, as there are, and will continue to be, substantial numbers of distressed borrowers with insufficient other options to retain their homes. We urge the extension of *FHASecure* so it can continue, without disruption, through at least 2009. *FHASecure* cannot do the job alone, of course; other loan modification programs are urgently needed. But keeping this program available is of extreme benefit to borrowers and lenders alike. We ask that HUD use its authority to extend this program to ensure that *FHASecure*, and FHA-insured loan refinancing, be preserved as viable choices for delinquent and troubled borrowers.

We are grateful to HUD's staff for achieving the extraordinary goal of implementing the Hope for Homeowners program (H4H) with such efficiency and in such abbreviated time schedules. Although it is a very new and still evolving program, we hope it will become a positive loss mitigation tool. The H4H program cannot, however, serve as a replacement for the *FHASecure* system. These two programs were created to address rather distinct consumer needs, and they differ in the form of assistance that they provide to homeowners. In a number of ways, *FHASecure* is a much more accommodating product, and is proving to be of great value in resolving homeowners' needs in a wide array of situations. For example, one of the difficulties in trying to assist struggling borrowers is the fact that the loan investors in many cases are resistant to permit loan modifications that may be beneficial to borrowers. Even when investors may be agreeable to modifications, loans may be securitized in such a complex manner that the operational difficulties of obtaining investor

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approval present a high hurdle to overcome. *FHASecure* is a refinance program, not a loan modification program, thereby sidestepping these loan modification difficulties.

Additionally, *FHASecure* is a program designed to help families at more moderate income levels. These are the families who most need assistance. Most importantly, the design of the *FHASecure* program is not set in statute and therefore permits the program to adequately adapt to market evolutions. In short, *FHASecure*'s added flexibility is a key strength during these unpredictable times of elevated delinquencies.

Without doubt, the current crisis has caused a significant decrease in the availability of loan options, along with increasing lending standards throughout all credit markets. In light of all the challenges, banks and mortgage lenders need all possible tools to be successful in these extremely challenging times. We urge the Secretary to extend the *FHASecure* program for another full year, and we ask that this be done immediately so as to avoid program lapses. The expanded loan options offered by *FHASecure* are an essential component of our collective efforts to help the largest possible numbers of at-risk borrowers.

This is not the appropriate time to permit the lapse of a viable mortgage refinance option.

Sincerely,

**American Bankers Association  
American Financial Services Association  
Center for Responsible Lending  
Consumer Bankers Association  
Consumer Mortgage Coalition  
Housing Policy Council  
Mortgage Bankers Association**

cc: Senator Christopher J. Dodd, Chairman, Senate Banking Committee  
Senator Richard C. Shelby, Ranking Member, Senate Banking Committee  
Representative Barney Frank, Chairman, House Financial Services Committee  
Representative Spencer Bachus, Ranking Member, House Financial Services Committee