

February 15, 2008

Senate Majority Leader Harry Reid
United States Senate
Washington, D.C. 20510

Senate Minority Leader Mitch McConnell
United States Senate
Washington, D.C. 20510

Dear Leaders Reid and McConnell,

The members of the Bankruptcy Coalition are writing to express our concern with S. 2636, the "Foreclosure Prevention Act of 2008". We applaud your efforts to help stabilize and strengthen the housing market with additional funding for credit counseling for consumers and increased flexibility to promote the use of mortgage revenue bonds.

When combined with other Congressional efforts like increased loan limits for the GSES and FHA, making mortgage debt forgiveness tax-free and making mortgage insurance premiums tax deductible and industry efforts like HOPE NOW and Project Lifeline, these provisions will help the mortgage market.

However, S.2636 also includes a provision that would undermine the recovery of the housing market and the economy by reopening the bankruptcy code and granting new powers to bankruptcy judges to change the terms of mortgages. This provision will have the exact opposite effect intended by increasing the cost of mortgages for all borrowers in the form of higher interest rates or down payments, or both.

Senate passage of such a provision could also have a very negative impact in the financial markets, which are struggling in part because of difficulties in valuing the mortgages that underlay securities. The bankruptcy provision would greatly increase the uncertainty that already exists.

The Bankruptcy Coalition has long opposed any bill that grants new powers to allow a bankruptcy judge to change the terms of a mortgage.

Therefore, we will oppose S. 2636 as long as the bankruptcy provision remains in the bill.

American Bankers Association
American Financial Services Association
Consumer Bankers Association
The Financial Services Roundtable
The Housing Policy Council
Independent Community Bankers of America

Mortgage Bankers Association
Manufactured Housing Institute
National Bankers Association
Securities Industry and Financial Markets Association
U.S. Chamber of Commerce