

November 15, 2007

The Honorable Barney Frank
Chairman
House Financial Services Committee

The Honorable Spencer Bachus
Ranking Member
House Financial Services Committee

Dear Chairman Frank and Ranking Member Bachus:

We write to express our opposition to H.R. 3915, the Mortgage Reform and Anti-Predatory Lending Act of 2007. **We greatly appreciate your efforts to reduce predatory lending and to restore balance to the mortgage market, however the bill will not stop predatory lending if it passes in its current form. Unfortunately, the weak remedies and damaging preemption in the bill leave us no choice but to oppose it.**

We commend you for drafting a bill that seeks to address serious abuses including: the origination of loans homeowners cannot afford to repay and that are inappropriate or don't provide real benefit; prepayment penalties which lock borrowers into high cost loans; binding mandatory arbitration clauses which deprive homeowners of access to court; and expanding the reach of the Homeownership and Equity Protection Act to address additional high-cost loans.

Unfortunately, the remedy and preemption provisions in Title II, as well as the revised language regarding disclosures for higher rates caused by yield spread premiums, outweigh any protections the bill otherwise might provide. The bill insulates those that hold the loans, the very parties that funded these abusive products and created a market for predatory loans. Moreover, there are multiple hoops through which the homeowner has to jump to obtain *any* redress for violations of these new federal protections against securitizers or other parties, and these are primarily limited to borrowers already in foreclosure. Most importantly, the various safe harbors in the bill provide little or no incentive for the market to change.

Further, the bill contains a damaging preemption provision that eliminates homeowners' ability to raise key state claims against any assignees. Despite efforts to narrow the provision, the current language appears to prevent homeowners from asserting state common law and statutory claims that are at the heart of most current, meaningful litigation and foreclosure defense actions on behalf of consumers: unconscionability, unfairness and contract claims.

In order for a bill's substantive protections to make a difference, the bill must include an affirmative right to redress from abusive loans, a right to stop a foreclosure in order to obtain a proper remedy, a right to an equivalent remedy when a borrower is not able to tender for rescission, and a provision protecting the key claims under state law that borrowers need to save their homes.

Respectfully yours,

Consumer Action
Housing Research and Advocacy Center of Cleveland, Ohio
National Association of Consumer Advocates
National Consumer Bankruptcy Litigation Center
National Consumer Law Center (on behalf of its low-income clients)
National Training and Information Center
National People's Action
Public Citizen

U.S. Public Interest Research Group
Community Legal Services of Philadelphia
Consumer Justice Law Center of Big Bend, Wisconsin
Cuyahoga County Foreclosure Prevention Program of Cleveland, Ohio
Empire Justice Center of New York
Financial Protection Law Center of North Carolina
Jacksonville Area Legal Aid, Inc. of Florida
Legal Services of New Jersey
Mountain State Justice of West Virginia
North Carolina Justice Center
Virginia Poverty Law Center