

To: The Federal Housing Finance Agency, the U.S. Department of the Treasury and the U.S. Department of Housing and Urban Development
 Re: Request for Information: Enterprise/FHA REO Asset Disposition
 Date: September 15, 2011

	Type of Strategy			Type of Respondent
X	Outright Purchase			Private capital
	Joint Venture			Real estate company
X	Rent-and-Hold			Rental property management
X	Lease-to-own			Asset management
X	Foreclosure Prevention		X	Nonprofit
X	Enterprise/Administration Retention			

A) Respondent Organizations

1. Americans for Financial Reform
 Alliance for a Just Society
 California Reinvestment Coalition
 Consumer Action
 Consumer Federation of America
 Empire Justice Center
 National Council of La Raza
 National Fair Housing Alliance
 National People's Action
 Nueva Esperanza
2. For this RFI, questions or comments can be directed to Liz Ryan Murray, National People's Action. liz@npa-us.org; 562-310-7330
3. Various
4. Various
5. All organizations above are non-profit entities

Below represents our response to questions B – D:

While we are encouraged by the Administration's willingness to look for creative solutions to the substantial problem of foreclosed and abandoned properties owned by the government or Fannie Mae and Freddie Mac, we want to be sure to express our view that the most effective way to reduce the number of foreclosed properties is to execute an effective and meaningful program to prevent them in the first place. The agencies and FHA should use available tools like more aggressive modifications, ending dual-track, principal reductions and low-cost refinancing to both reduce foreclosures and stabilize the housing market overall which will, in turn, help to create a stronger economy and more of a market for current REO inventories.

However, we agree that there is a need for a more robust and creative approaches to handling the large existing inventories. We would suggest a few specific ideas and set out a frame-work of principles that should be followed for all programs that are implemented.

First, the administration is in the unique position, as conservator of both Freddie Mac and Fannie Mae, of having the infrastructure in place to act as owner of a large rental housing stock on its own for a considerable period of time. Both Fannie and Freddie currently have programs in place that allow foreclosed families to remain in their homes as renters at prevailing market rates.

This program should be expanded and Fannie Mae, Freddie Mac and HUD should better promote this option to more former homeowners and other renters. This option enables a flow of income to come to the government from the property, stabilizes the neighborhood by preventing vacancy, and allows the family to maintain stability and a chance to regain their economic footing. With government borrowing costs at their lowest levels in decades, the additional financing cost of maintaining this inventory and encouraging its use as affordable rental homes is very small. Using Fannie and Freddie to hold these properties, rather than sell them at discounts to profit-motivated buyers who would require much higher returns, would enable them to be stabilized until local markets settle without pressure to either defer or skimp on maintenance or flip them quickly to realize a profit.

Currently Fannie Mae offers former homeowners up to 12-month lease terms with the option for term renewals, while Freddie Mac offers only month-to-month leases. In order to encourage family and community stability, both Fannie Mae and Freddie Mac should make multi-year commitments to own, maintain and lease out the properties in their portfolios until the local real estate market recovers and is able to absorb the properties.

Many neighborhoods are already feeling the ill effects of batch sale programs run by larger banks. The problems of large out-of-area owners not maintaining the housing stock has led to growing instability and neighborhood deterioration. These absentee owners often are unresponsive to tenants and local

governments, and having purchased the properties Fannie, Freddie and FHA no longer have the same levers to encourage or require responsible behavior. By maintaining Fannie and Freddie ownership of the properties, FHFA could assure they are managed and preserved for the benefit of both the GSEs and the neighborhoods in which the properties are located. Fannie and Freddie would have to contract with private and nonprofit housing management entities to assure good property maintenance and management. But through their market power, their obvious financial incentives to preserve properties' value, and control of the inventory they could assure a sufficiently high quality of management with effective oversight. Preference should be given to rent properties to current tenants or foreclosed homeowners to help maintain community stability.

There are other plans that have merit, including working with non-profit housing developers to obtain and rehabilitate housing for rental or sale. Fannie Mae and Freddie Mac should provide financing for projects which serve low and moderate income communities and where investment capital is scarce. Projects which have multiple community benefits should score higher points in competitive bidding. Community benefits would include 1) 100% low and moderate income occupancy, 2) nonprofit participation, 3) coordination with Neighborhood Stabilization Program projects, neighborhood redevelopment programs, or city, county, or state development programs, and 4) involvement and support from community based organizations.

As stated above, batch sale disposition does not often result in a reversal of community decline. Community-based organizations and public institutions are often best suited to act in ways that further revitalization with smaller scale acquisitions that should be positively scored to take this into account. It is also the case that these community and public preservation minded buyers will often need access to deep discounts for purchase, as well as grant dollars and low-cost financing for rehabilitation and eventual sale or rental after rehab.

In all cases, the following principles should be followed:

1. All properties must be immediately secured and brought up to code as soon as possible.
2. The exterior of the property and building must be secured immediately after acquisition and the exterior must be maintained throughout the construction process. with both the exterior and interior of the properties maintained and repaired.
3. A process for meaningful community input on the projects and their impact should be incorporated in both the selection of bids and the plans for implementation.
4. Priority in leasing foreclosed units must be given to current tenants or foreclosed homeowners occupying the REO property at the time of acquisition.

5. All properties should be subject to “just cause” protections to ensure that tenants cannot be evicted except for “just cause.”
6. Housing Counseling by HUD approved housing counseling agencies must be provided to all tenants or buyers and funded through the proceeds of the project.
7. Every effort should be made to market the foreclosed properties to low and moderate income families. No less than 25% of all REO properties should be occupied by families with incomes below 80 percent of area median income, with preference given to the balance of homes to households below 100 percent of area median.
8. Disposition of these properties must be done in a manner that complies with the mandates of the federal Fair Housing Act. FHFA and HUD must ensure strict compliance with the non-discrimination and pro-integration provisions of the Act. This means ensuring that, prior to resale or rental, properties in communities of color are maintained to the same standards as those in predominantly white communities. Further, any resales or rentals must be carried out in a manner that is non-discriminatory and also complies with local tenant protection laws. Caution must be taken to ensure that disposition of these homes does not further depress home values, especially in communities that have already been hard hit by the foreclosure crisis. Communities of color are at particular risk for further weakening of home values. Disposition of REO properties in these communities should be done in a manner that offers access to homeownership for families of color and also guards against gentrification that may threaten the long-term sustainability of homeownership for existing community residents. In addition, federal control of these homes offers a unique opportunity to advance the “affirmatively furthering fair housing” provisions of the Act by opening up affordable housing choices in communities of opportunity to families who might not otherwise have access to that housing.

Thank you for your attention and this opportunity to comment. Please contact Liz Ryan Murray with National People's Action at liz@npa-us.org with any questions or for clarification.

Following are the partners of Americans for Financial Reform.

All the organizations support the overall principles of AFR and are working for an accountable, fair and secure financial system. Not all of these organizations work on all of the issues covered by the coalition or have signed on to every statement.

- A New Way Forward
- AARP
- AFL-CIO
- AFSCME
- Alliance For Justice
- Americans for Democratic Action, Inc
- American Income Life Insurance
- Americans United for Change
- Campaign for America's Future
- Campaign Money
- Center for Digital Democracy
- Center for Economic and Policy Research
- Center for Economic Progress
- Center for Media and Democracy
- Center for Responsible Lending
- Center for Justice and Democracy
- Center of Concern
- Change to Win
- Clean Yield Asset Management
- Coastal Enterprises Inc.
- Color of Change
- Common Cause
- Communications Workers of America
- Community Development Transportation Lending Services
- Consumer Action
- Consumer Association Council
- Consumers for Auto Safety and Reliability
- Consumer Federation of America
- Consumer Watchdog
- Consumers Union
- Corporation for Enterprise Development
- CREDO Mobile
- CTW Investment Group
- Demos
- Economic Policy Institute
- Essential Action
- Greenlining Institute
- Good Business International

- HNMA Funding Company
- Home Actions
- Housing Counseling Services
- Information Press
- Institute for Global Communications
- Institute for Policy Studies: Global Economy Project
- International Brotherhood of Teamsters
- Institute of Women's Policy Research
- Krull & Company
- Laborers' International Union of North America
- Lake Research Partners
- Lawyers' Committee for Civil Rights Under Law
- Move On
- NASCAT
- National Association of Consumer Advocates
- National Association of Neighborhoods
- National Community Reinvestment Coalition
- National Consumer Law Center (on behalf of its low-income clients)
- National Consumers League
- National Council of La Raza
- National Fair Housing Alliance
- National Federation of Community Development Credit Unions
- National Housing Trust
- National Housing Trust Community Development Fund
- National NeighborWorks Association
- National People's Action
- National Council of Women's Organizations
- Next Step
- OMB Watch
- OpenTheGovernment.org
- Opportunity Finance Network
- Partners for the Common Good
- PICO
- Progress Now Action
- Progressive States Network
- Poverty and Race Research Action Council
- Public Citizen
- Sargent Shriver Center on Poverty Law
- SEIU
- State Voices
- Taxpayer's for Common Sense
- The Association for Housing and Neighborhood Development
- The Fuel Savers Club
- The Leadership Conference on Civil and Human Rights
- The Seminal
- TICAS
- U.S. Public Interest Research Group
- UNITE HERE
- United Food and Commercial Workers
- United States Student Association
- USAction
- Veris Wealth Partners
- Western States Center

- We the People Now
- Woodstock Institute
- World Privacy Forum
- UNET
- Union Plus
- Unitarian Universalist for a Just Economic Community

Partial list of State and Local Signers

- Alaska PIRG
- Arizona PIRG
- Arizona Advocacy Network
- Arizonans For Responsible Lending
- Association for Neighborhood and Housing Development NY
- Audubon Partnership for Economic Development LDC, New York NY
- BAC Funding Consortium Inc., Miami FL
- Beech Capital Venture Corporation, Philadelphia PA
- California PIRG
- California Reinvestment Coalition
- Century Housing Corporation, Culver City CA
- CHANGER NY
- Chautauqua Home Rehabilitation and Improvement Corporation (NY)
- Chicago Community Loan Fund, Chicago IL
- Chicago Community Ventures, Chicago IL
- Chicago Consumer Coalition
- Citizen Potawatomi CDC, Shawnee OK
- Colorado PIRG
- Coalition on Homeless Housing in Ohio
- Community Capital Fund, Bridgeport CT
- Community Capital of Maryland, Baltimore MD
- Community Development Financial Institution of the Tohono O'odham Nation, Sells AZ
- Community Redevelopment Loan and Investment Fund, Atlanta GA
- Community Reinvestment Association of North Carolina
- Community Resource Group, Fayetteville A
- Connecticut PIRG
- Consumer Assistance Council
- Cooper Square Committee (NYC)
- Cooperative Fund of New England, Wilmington NC
- Corporacion de Desarrollo Economico de Ceiba, Ceiba PR
- Delta Foundation, Inc., Greenville MS
- Economic Opportunity Fund (EOF), Philadelphia PA
- Empire Justice Center NY
- Empowering and Strengthening Ohio's People (ESOP), Cleveland OH
- Enterprises, Inc., Berea KY
- Fair Housing Contact Service OH
- Federation of Appalachian Housing
- Fitness and Praise Youth Development, Inc., Baton Rouge LA
- Florida Consumer Action Network

- Florida PIRG
- Funding Partners for Housing Solutions, Ft. Collins CO
- Georgia PIRG
- Grow Iowa Foundation, Greenfield IA
- Homewise, Inc., Santa Fe NM
- Idaho Nevada CDFI, Pocatello ID
- Idaho Chapter, National Association of Social Workers
- Illinois PIRG
- Impact Capital, Seattle WA
- Indiana PIRG
- Iowa PIRG
- Iowa Citizens for Community Improvement
- JobStart Chautauqua, Inc., Mayville NY
- La Casa Federal Credit Union, Newark NJ
- Low Income Investment Fund, San Francisco CA
- Long Island Housing Services NY
- MaineStream Finance, Bangor ME
- Maryland PIRG
- Massachusetts Consumers' Coalition
- MASSPIRG
- Massachusetts Fair Housing Center
- Michigan PIRG
- Midland Community Development Corporation, Midland TX
- Midwest Minnesota Community Development Corporation, Detroit Lakes MN
- Mile High Community Loan Fund, Denver CO
- Missouri PIRG
- Mortgage Recovery Service Center of L.A.
- Montana Community Development Corporation, Missoula MT
- Montana PIRG
- Neighborhood Economic Development Advocacy Project
- New Hampshire PIRG
- New Jersey Community Capital, Trenton NJ
- New Jersey Citizen Action
- New Jersey PIRG
- New Mexico PIRG
- New York PIRG
- New York City Aids Housing Network
- NOAH Community Development Fund, Inc., Boston MA
- Nonprofit Finance Fund, New York NY
- Nonprofits Assistance Fund, Minneapolis M
- North Carolina PIRG
- Northside Community Development Fund, Pittsburgh PA
- Ohio Capital Corporation for Housing, Columbus OH
- Ohio PIRG
- OligarchyUSA
- Oregon State PIRG
- Our Oregon
- PennPIRG
- Piedmont Housing Alliance, Charlottesville VA
- Michigan PIRG
- Rocky Mountain Peace and Justice Center, CO
- Rhode Island PIRG
- Rural Community Assistance Corporation, West Sacramento CA

- Rural Organizing Project OR
- San Francisco Municipal Transportation Authority
- Seattle Economic Development Fund
- Community Capital Development
- TexPIRG
- The Fair Housing Council of Central New York
- The Loan Fund, Albuquerque NM
- Third Reconstruction Institute NC
- Vermont PIRG
- Village Capital Corporation, Cleveland OH
- Virginia Citizens Consumer Council
- Virginia Poverty Law Center
- War on Poverty - Florida
- WashPIRG
- Westchester Residential Opportunities Inc.
- Wigamig Owners Loan Fund, Inc., Lac du Flambeau WI
- WISPIRG

Small Businesses

- Blu
- Bowden-Gill Environmental
- Community MedPAC
- Diversified Environmental Planning
- Hayden & Craig, PLLC
- Mid City Animal Hospital, Pheonix AZ
- The Holographic Repatterning Institute at Austin
- UNET