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U.S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
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February 16, 2007

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The Honorable John M. Reich
Director
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1700 G Street, NW
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Dear Sir or Madam:

We know you share our concern about rapidly rising foreclosure rates and ask that you issue guidance that clarifies that financial institutions will not face additional regulatory penalties if they exercise appropriate forbearance.

As you are aware, during the recent housing boom we witnessed widespread use of “nontraditional” mortgage products, including adjustable rate mortgages with low introductory rates and enormous payment shocks when those rates expired. Given rising housing prices, many consumers needed these products to get into homes and used the expectation of low interest rates and rising home prices as “insurance” against a painful adjustment (e.g., if interest rates remained low, they could always refinance and if housing prices rose they could always sell). Others were simply lied to about the nature of their loans.

Many of these families may now be stuck – at least temporarily – with loans that are adjusting in an environment with *both* higher interest rates and stagnant or falling home prices. Given the expected \$1 trillion+ in mortgages expected to adjust in 2007, we are concerned that foreclosure rates may continue to swell across the country (even without further interest rate increases) and do real damage to families, communities and the housing market itself. To avoid a more significant disruption, we certainly encourage regulators (and institutions) to forbear foreclosures when possible.

We agree that you should not require institutions under your supervision to forbear, but we think that it is important that institutions who are willing to forbear in particular instances understand that they will not be subject to additional penalties.

Sincerely,

Benny Cook

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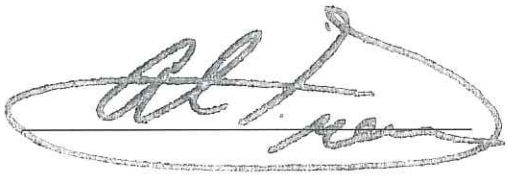
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