



Edward G. Rendell
Governor of Pennsylvania
Chair

James H. Douglas
Governor of Vermont
Vice Chair

Raymond C. Scheppach
Executive Director

July 22, 2008

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

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

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable John Boehner
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Senator Reid, Senator McConnell, Speaker Pelosi, and Representative Boehner:

The nation's governors urge Congress and the Administration to complete work on legislation to assist at-risk homeowners facing foreclosure, reform and stabilize government-sponsored mortgage financing enterprises (GSEs), and strengthen housing markets.

While housing foreclosures have affected all states differently, those most negatively affected have responded by using a variety of policy tools to help homeowners in distress. Ultimately, no state will be immune from the cascading effects of this challenge, and its national implications for citizens, communities, and state and local governments justify immediate federal action.

To that end, governors continue to support a voluntary mortgage-refinancing program backed by Federal Housing Administration insurance that will prevent further foreclosures. Second, while governors acknowledge that any federal action should avoid unintended consequences that could make current conditions worse in the long-term, a one-time federal outlay to support the acquisition and rehabilitation of foreclosed properties is vital to stabilize home values and protect neighborhoods. Federal funds should flow directly through states, and states should have the flexibility to contract with local governments and nonprofit partners to implement tailored strategies. Such federal pecuniary assistance should be allocated based on the degree of need in each state. Third, any federal action should avoid changes that shift costs to states, preempt state authority to protect the public, or impose new unfunded mandates. Such federal actions undermine state efforts to maintain services, balance budgets, and speed economic recovery.

Finally, governors commend federal efforts to restore market confidence in the GSEs through the use of targeted and temporary tools. The roles of Fannie Mae and Freddie Mac remain critical to the housing markets in the states.

We look forward to working with Congress and the Administration to stabilize neighborhoods, protect the equity of homeowners, and set the economy onto a path of sustained growth and prosperity.

Sincerely,

Governor Jon S. Corzine
Chair
Economic Development and Commerce Committee

Governor M. Michael Rounds
Vice Chair
Economic Development and Commerce Committee