

Dear [HUD] Secretary Donovan,

We write to urge you to ensure that mortgages modified by eminent domain can access FHA programs. It is essential that the Department of Housing and Urban Development continue to comply with laws forbidding discrimination in the provision of credit. Access to FHA programs such as the short refinance program in all communities is particularly important to protect from discriminatory restrictions.

As you know, because of the 2008 financial crisis, more than 4 million families have experienced foreclosure. Nearly one in five homeowners with a mortgage owes more than the value of their home. While the crisis has affected all of us, it has disproportionately hurt communities of color that can least afford the loss of equity and stability.

Despite numerous legal settlements and interventions by the administration, progress to repair the housing market, strengthen the economy, reduce unemployment and enable families to rebuild their wealth has been slow. Some communities and municipal officials are moving to restore home equity through local principal reduction initiatives. They are considering proposals to purchase local mortgage loans – including, if necessary, through use of eminent domain authority – to keep families in their homes.

Refusal by the U.S. Department of Housing and Urban Development and the Federal Housing Agency to insure loans that were changed by eminent domain would violate existing rules that prohibit discrimination (Policy Statement on Discrimination in Lending (1994) (59 FR 18266-01), and 24 C.F.R. pt. 100). HUD and FHA must continue to comply with fair lending and fair housing laws which forbid denying credit to qualified borrowers and ban discrimination based on factors like race and national origin.

Principal reduction policies, if adopted by localities using the sovereign state power of eminent domain, are consistent with FHA's support for principal reduction, which is reflected in the FHA short refinance program. HUD's own analysis estimates that the program can save Americans more than \$24 billion.

Communities that are struggling to stabilize their economies and respond to the needs of struggling families must be able to take advantage of all options. We urge HUD to ensure that the current FHA programs will not discriminate against low-income borrowers, including Latinos and African Americans, who seek short refinances of toxic underwater loans that American cities acquire through their powers of eminent domain.

Sincerely,

Keith Ellison
Member of Congress

Raúl M. Grijalva
Member of Congress