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United States Senate
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
WASHINGTON, DC 20510–6075

August 23, 2007

The Honorable Henry M. Paulson
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

The Honorable Alphonso Jackson
United States Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Dear Secretary Paulson and Secretary Jackson:

I have been encouraged by your recent statements emphasizing the importance of preserving homeownership for as many American families as possible as we work through the current subprime lending crisis. As Secretary Paulson repeatedly noted, many of these families have been victimized by "bad lending practices," and every effort must be made to ensure that these abusive mortgages do not result in needless foreclosures.

To that end, I understand that the staff of the Treasury Department and the Department of Housing and Urban Development are discussing ways to use the Federal Housing Administration single-family insurance program to help borrowers escape these mortgages by refinancing them into more affordable FHA loans. I want to urge you to move expeditiously in this direction by making any administrative changes to the program that are needed to achieve this worthy goal while making sure that the long-term solvency of the FHA fund is not compromised. As you know, the fund is currently in a strong financial position.

Our nation is experiencing record foreclosures, and an unprecedented number of Americans could lose their homes due to the "bad lending practices" cited by Secretary Paulson. At such a critical time, it is essential that the FHA act effectively and prudentially to preserve homeownership for as many Americans as possible.

I want to assure you that I remain committed to continue working with you to modernize the FHA program. In addition to being an engine for creating new homeowners, the program could play a very important role in saving from foreclosure American homeowners who have been taken advantage of by unscrupulous subprime lenders and brokers.

Thank you for your efforts in this area.

Sincerely,

Christopher J. Dodd
Chairman