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

October 30, 2008

President George W. Bush
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear President Bush:

On October 23, the Senate Committee on Banking, Housing, and Urban Affairs held an oversight hearing to review the Administration's progress in implementing the *Economic Emergency Stabilization Act of 2008*, (EESA). EESA provided the Treasury Department with broad and unprecedented authority and with $700 billion to address the key challenges facing our economy.

While members of the Committee raised many issues at the hearing, of paramount concern was the dire need to ensure that all the tools made available by EESA are brought to bear to help families keep their homes by modifying mortgages in order to prevent foreclosures.

In our view, and in the view of many economists and experts from across the political spectrum, the key to the recovery of the economy is recovery of the housing market, and the key to the recovery of the housing market is to reduce foreclosures. As economist Mark Zandi noted in March of this year:

> Only if more homeowners are able to remain in their homes will the negative cycle of foreclosures begetting house price declines begetting more foreclosures be short-circuited. This, in turn, is necessary to ending the downdraft in the housing market that is weighing so heavily on the economy and financial system.

We are aware of recent news reports that progress is being made within your Administration to adopt a program to reduce foreclosures. While we certainly hope that these reports are true, they have been circulating for over a week without confirmation. The fact remains that the Administration has not dedicated the time, attention or resources needed to address the cause of the crisis -- the historic levels of foreclosure. Rather, it has focused almost exclusively on the symptoms of the crisis – financial arteries clogged with bad mortgage-backed debt and housing-related losses undermining the capital positions of our financial institutions. While we support the goals of restoring liquidity and bolstering bank capital, these efforts, by themselves, will not end the current turmoil. For this reason, and to address the current policy imbalance, the Treasury Department must use its authority under EESA to act decisively, aggressively, and swiftly to reduce foreclosures.

Section 109 of EESA authorizes the Secretary of the Treasury to "use loan guarantees and credit enhancements to facilitate loan modifications to prevent avoidable foreclosures." We urge you to immediately direct the Treasury to create a program using this authority to comprehensively address the exploding foreclosure crisis. Such a program must encourage systematic modifications designed to create long-term sustainable homeownership, based on transparent criteria.

Further, we ask that you direct the Treasury Department to contract with the Federal Deposit Insurance Corporation (FDIC) to design and implement such a program. As you know, the FDIC has already developed such a program with loans it now owns or services as a result of its takeover of IndyMac Bank. FDIC Chairman Sheila Bair testified at our hearing that the FDIC was willing to take on this responsibility. Further, given the FDIC's demonstrated commitment to the goal of foreclosure prevention, and its proven track record in achieving results, the FDIC is clearly the federal agency best suited to implementing this program quickly and efficiently.

Mr. President, time is short. Every day we delay, thousands more families face the specter of losing their homes. We cannot afford further delay. We ask that you move as quickly on this initiative, and that you continue to explore other options for addressing this very serious problem.

Thank you for considering these views.

Sincerely,

Christopher J. Dodd
Chairman

Tim Johnson

Jack Reed

Charles E. Schumer

Thomas R. Carper

Robert Menendez

Daniel K. Akaka

Sherrod Brown

Robert P. Casey, Jr.

cc: The Honorable Henry M. Paulson, Jr.
The Honorable Sheila C. Bair