

February 4, 2015

FHA Commissioner Biniam Gebre
U.S. Department of Housing and Urban Development
451 Seventh Street, SW
Washington, DC 20410

Dear Commissioner Gebre:

We know that you have received many recommendations, from various organizations, regarding ways to improve the Distressed Asset Stabilization Program (DASP). In order to assist your office as you work on improvements, and to streamline our communication with FHA, our organizations have arrived at a set of core reforms that we all agree are key in order for DASP to maximize its potential. These consensus reforms are outlined in the attached one page document.

As you will recognize, many of the organizations below are coalitions, networks or associations, comprised of numerous local community groups, housing development groups, and other non-profits across the country. We work in and/or represent many communities where these loans are concentrated and the borrowers whose loans go into the pools.

We welcome the opportunity to discuss these issues further, and in more detail, with you and/or your staff.

Sincerely,

Right to the City (RTTC)
Center for Popular Democracy (CPD)
Americans for Financial Reform (AFR)
Center for American Progress (CAP)
National Consumer Law Center (NCLC) (on behalf of its low-income clients)
National Community Reinvestment Coalition (NCRC)
National Council of La Raza (NCLR)
National Association for Latino Community Asset Builders (NALCAB)
National Fair Housing Alliance (NFHA)
Leadership Conference on Civil and Human Rights
California Reinvestment Coalition (CRC)
Greenlining Institute

Improving the Distressed Asset Stabilization Program

PROTECT THE RIGHTS OF HOMEOWNERS THROUGHOUT THE PROCESS

- Prior to placing a loan in a sale pool and paying the claim, require servicers to document and certify compliance with each step of FHA's sequential loss mitigation review, including documentation of the grounds for denial of foreclosure alternatives.
- Prior to the inclusion of a loan in a DASP sale, require servicers to provide homeowners with notice that accurately informs them about the sale process, the servicer obligations before and after sales, and the homeowner's rights under these transactions.
- Develop an effective HUD review system to handle homeowner complaints about post-sale conduct of servicers and owners.

PRIORITIZE NONPROFIT PARTICIPATION, MORTGAGE MODIFICATIONS & AFFORDABILITY

- Require all buyers and their servicers to participate in MHA, including HAMP-PRA. All loans must go through MHA waterfall at least once after they are sold through DASP, and this must be documented.
- Ensure greater percentage of purchases by non-profits and buyers committed to home retention and affordability. Mechanisms to ensure this greater participation include, but are not limited to: 1) either a "first look" or "last look" for qualified buyers, 2) weighting of enhanced outcomes in the auction process, 3) expansion of NSO pools to at least 50% of total FHA auctions, and 4) direct sales of NSO loans for competitive bids limited to non-profit bidders.
- Facilitate participation by non-profits and other mission driven entities by creating some smaller pools.

EXPAND AND IMPROVE NEIGHBORHOOD STABILIZATION OUTCOME AUCTIONS

- Significantly scale up the number of mortgages being sold through NSO pools.
- Require that some percentage of any REO be sold to an owner occupant, donated to a non-profit or local government or converted into an affordable rental unit.

STRENGTHEN MONITORING & REPORTING TO ENSURE EFFECTIVE OVERSIGHT & ENFORCEMENT

- Require detailed quarterly reporting, including:
 - Terms of loan modifications; demographic and geographic information about homeowners.
 - Disposition results including whether home is held as a long-term rental and, if so, monthly rent charged; and whether the home was sold to an owner-occupant, non-profit or investor.
- Require reporting requirements to travel with the loan if it is re-sold and include traceability back to original buyer.
- Make aggregate information available to the public in a timely way.
- Bar from future auctions buyers who have purchased FHA mortgages in the past but have failed to meet required objectives.