

Consumer Action

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The Honorable Chris Dodd, Chairman
The Honorable Richard Shelby
Banking Committee
U.S. Senate
Washington, DC 20510

The Honorable Barney Frank, Chairman
The Honorable Spencer Bachus
Financial Services Committee
U.S. House of Representatives
Washington, DC 20515

Sept. 23, 2008

Dear Chairman Dodd, Chairman Frank, Senator Shelby and Mr. Bachus,

We write to encourage your efforts at improving the Administration's massive bailout plan and to express our concern over the missing components in the debate over what protections and funding should be afforded those in the financial services industry that instigated this crisis with the sale of patently unaffordable loans.

Consumer Action, the national, non profit education and advocacy group, believes that if the average citizen is to be expected to rescue those who are primarily responsible for creating much of the current economic mess homeowners and taxpayers should receive the primary degree of protection.

Consumer Action recommends that the following additions be included in a final bailout package:

Prevent foreclosures. Help homeowners who were sold risky subprime and nontraditional mortgages from losing their homes by imposing a nine-month moratorium on foreclosures, leaving time for genuine loan modifications to occur.

Mandate Loan Modifications. Voluntary measures have not achieved their goals. It is time for bold action that requires lenders to modify the interest rate, reduce the principle, and forgive past due amounts, instead of tacking balances on to the back of the loan, to achieve affordable, sustainable mortgages.

Give bankruptcy courts the tool to save homeowners. Allow bankruptcy court judges to adjust mortgages to save homes and stabilize communities – at no cost to the taxpayer. Allow Chapter 13 homeowners to arrange for an affordable repayment plan and remain in their home. (As you know, wealthy borrowers already have this right for vacation homes. but the average homeowner does not.)

Modification through bankruptcy is the only real remedy for homeowners whose mortgages have ended up in tranches where no one – not even Secretary Paulson – can modify bits and pieces of these loans.

Create accountability through oversight and transparency. Require businesses that benefit from this bailout to provide greater information on the risk of the loans that they make. Congress should create an Oversight board so that Treasury's actions are accountable to someone.

Insist on consequences for the perpetrators. Ensure that lenders who pushed unaffordable loans on millions of consumers be held accountable. Place strict limits on executive compensation and require that lenders own at least a portion of each loan that they are willing to make.

Protect taxpayers by allowing our government to purchase shares in the companies that now desperately need a trillion dollar life preserver.

We wish you great success in your urgent efforts. Our country depends on it.

Sincerely,

A handwritten signature in cursive script that reads "Linda Sherry".

Linda Sherry
Director, National Priorities