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May 13, 2014

The Honorable Melvin L. Watt  
Director  
Federal Housing Finance Agency  
400 7th Street S.W.  
Washington, D.C. 20024

Dear Director Watt:

Congratulations on your confirmation as Director of the Federal Housing Finance Agency (FHFA). While I was personally saddened to see you leave Capitol Hill, I am pleased that the nation has an extremely high-caliber public servant in a position to help restore the integrity of the housing market.

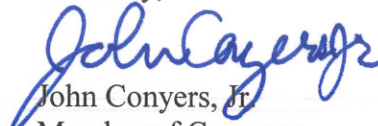
I write today regarding an urgent economic situation that the FHFA can help to resolve: the nation's largest-ever Chapter 9 bankruptcy process, currently underway in Detroit. Specifically, I write to respectfully request that the Federal Housing Finance Agency (FHFA) consider directing the Government Sponsored Enterprises (GSEs) to impose a 6-month moratorium on foreclosures of GSE-guaranteed mortgages for struggling borrowers who were current on their payments before the start of Chapter 9 proceedings in 2013. Further, I encourage the FHFA to build upon its promising Neighborhood Stabilization Initiative by doing all that it can to provide local borrowers with access to modifications necessary to avert future foreclosures and evictions that would exacerbate the difficulties facing the City of Detroit.

The FHFA has shown prudent flexibility in dealing with people and communities facing extraordinary hardship. The Agency has, for example, enacted voluntary foreclosure moratoria during the holiday season as well after natural disasters including Hurricane Sandy. Other federal agencies, including the Farmers Home Administration during the 1980s farm crises, have similarly used foreclosure moratoria to assist struggling families and communities. While Detroit has not suffered a physical disaster, it has been forced into its current fiscal situation—entailing serious human consequences including cuts to vital city services and hard-earned pensions—by factors well-beyond city residents' control. These factors include unprecedented disinvestment by Michigan's state government and a long-term trend of deindustrialization driven largely by US trade policy. Still, one of the clearest proximate causes of the city's financial distress has been the disproportionate impact of the national foreclosure crisis, which was caused by widespread and widely documented cases of predatory lending. In the wake of the 2008 financial crisis, one in five Detroit homes was left in foreclosure.

While FHFA actions including a short-term moratorium on foreclosures and longer-term loan modifications would not be a panacea, they would go a long way toward stabilizing the city's housing market, which would, in turn, facilitate the rebuilding of the tax base, easing the city's persistent cash flow problems. This action could also reduce the city's liabilities by reducing the number of abandoned properties, ultimately freeing up city funds currently earmarked for blight-removal and related activities to instead safeguard the pensions of municipal workers and prevent cuts to city services. This would help bolster local levels of consumer demand and attract residents and investment.

Detroit has the firms, the skilled workers, the research institutions, the leadership, and the drive to make a comeback. But a strong housing market recovery remains a necessary condition for the City's overall resurgence. Much like carefully targeted federal assistance enabled New York City to reemerge from the brink of default in the mid-1970s and other cities to mount successful recoveries in recent decades, fiscally responsible federal assistance can have a transformative impact on Detroit today. In your capacity as the FHFA Director, I urge you to exercise foresight and consider taking these important steps to accelerate Detroit's recovery.

Sincerely,



John Conyers, Jr.  
Member of Congress