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February 17, 2009

Secretary Timothy Geithner
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Chairwoman Sheila Bair
FDIC
550 17th Street, N.W.
Washington, DC 20429

Lawrence H. Summers
Director
National Economic Council
1600 Pennsylvania Ave., NW
Washington, DC 20500

Chairman Ben Bernanke
Federal Reserve
20th & C Street, NW
Washington, DC 20551

Secretary Shaun Donovan
Dept. of Housing and Urban Development
451 7th St., SW
Washington, DC 20410

Obama Housing Stimulus Should Avoid the Japanese Model

Dear Secretary Geithner, Chairman Bernanke, Chairman Bair, Secretary Donovan, and Director Summers:

For more than two years, the federal government has failed to adequately address the foreclosure crisis. This has led to 2.3 million foreclosures in 2008 and projections of well over 3 million this year. We therefore urge a housing stimulus plan that has a high chance of success and will avoid the mistakes Japan has experienced over the last fifteen years of too little too late.

We urge a stimulus plan that is closer to \$100 billion than the proposed \$50 billion. Within the plan, we urge the following:

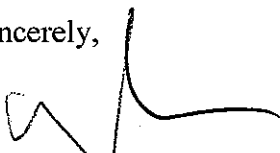
1. All owners of a primary residence, unless owner fraud and lender clean hands can be demonstrated, should be entitled to the maximum relief within the plan.
2. All eligible homeowners should be required to pay no more than 31% of their net income and as little as 25% where unemployment nationally remains above 6%.
3. Interest rates be reduced to a maximum of 4% for the life of the loan.

4. Principle should be reduced to 90% of market value and to 80% of market value where an entire neighborhood is affected by double digit declines in value. The government and lender/servicer/investor pool should share in the loss and be entitled to any gains on sale to reflect such loss.
5. No exceptions should be made for securitized mortgages. This goal can best be attained legally by allowing bankruptcy courts to modify mortgage terms and payments. Other options include having the Federal Reserve inform investors of the real current value of the home.
6. A six month mortgage moratorium should be required until a lender and/or servicer can demonstrate that it has satisfactorily modified at least 90% of all home loans that are in foreclosure, are delinquent, or likely to be delinquent within two years.
7. Due to the ineffectiveness of most financial institutions and the government in previously addressing loan modifications, up to \$2 billion dollars should be allocated for grants to local home counselors to assist in expeditiously addressing the problem. (Using the FDIC/IndyMac solution of \$500 dollar per successful loan modification, this could pay for 4 million home modifications by home counselors.)
8. To stabilize home prices in low income areas affected by high unemployment rates and to ensure maximum job creation in these communities, the government should guarantee a new mortgage instrument for *future* low/moderate income homeowners. It should be a thirty to fifty year fixed rate mortgage at a 4% interest rate combined with an annual \$5,000 dollar tax credit where the homeowner is at 120% or below median income and where the home is at the median or below the regional price.

It is possible that all of the above can be achieved at the projected cost of \$50 billion but we urge that either no cap be set or the cap be \$100 billion. This will ensure that we do not repeat the mistakes of the Japanese government over the last fifteen years. These mistakes have led to an 80% decline in home values, an 80% decline in the value of stocks, deflation, no net growth, and a decline in GNP of 12.7% for 2008 in Japan.

We look forward to visiting personally with each of you during our D.C. trip from March 10th-12th.

Sincerely,



Orson Aguililar
Executive Director



Preeti Vissa
Community Reinvestment
Program Manager