

KATHY CASTOR  
11TH DISTRICT, FLORIDA

COMMITTEE ON ARMED SERVICES  
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POLICY COMMITTEE

ASSISTANT WHIP-AT-LARGE



**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515-0911**

WASHINGTON OFFICE:

317 CANNON BUILDING  
WASHINGTON, DC 20515  
(202) 225-3376

DISTRICT OFFICE:

4144 NORTH ARMENIA AVENUE  
SUITE 300  
TAMPA, FL 33607  
(813) 871-2817

[www.castor.house.gov](http://www.castor.house.gov)

February 2, 2009

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

RE: Housing Crisis – Comprehensive Community-Based Plan of Action

Dear Secretary Geithner:

Congratulations on your appointment as Treasury Secretary. I look forward to working with you.

I understand that you and President Obama are working expeditiously on a comprehensive plan of action to address the housing crisis. I urge you to act swiftly. The housing crisis that once appeared limited to families in foreclosure has now spread and is dragging down property values of families throughout my community.

I appreciate economic advisor Larry Summers' January 15, 2009 correspondence and commitment to direct \$50 – 100 Billion to a sweeping effort to address foreclosures. I commend him for working to implement smart, aggressive policies to reduce the number of preventable foreclosures by reducing mortgage payments for economically stressed but responsible homeowners. I strongly concur that banks receiving support under the Emergency Economic Stabilization Act be *required* to implement mortgage foreclosure mitigation programs. Indeed, Congresswoman Doris Matsui (D-CA) and I successfully added an amendment to the TARP Reform and Accountability Act two weeks ago that requires that any institution that receives federal TARP funding to provide a three-month holiday from foreclosure until the President's housing plan is fully operational.

To date, I have organized three foreclosure and housing assistance workshops in my hard-hit Tampa Bay area district. My experience is instructive as you develop the details of the plan. Over one thousand families and individuals have attended my workshops and were able to sit down one-on-one with loss mitigation officers from lenders and banks and receive advice from HUD-certified housing advocates and credit

counselors. While some families are able to work out a loan or forbearance, there are many obstacles to keeping a family in their home. While some lenders are proactive, many are not helpful. It is too piecemeal. Families are falling through the cracks due to no fault of their own. The housing market and the larger economy, including the wealth that families have built in their homes is imploding. The dire circumstances demand bold, comprehensive action and here are my suggestions:

### ***Bold and Comprehensive Mortgage Mitigation Plan***

Move immediately on a \$100 Billion sweeping plan to write down mortgages. Two weeks ago, economist Mark Zandi testified in front of Congress and advocated for tapping the TARP for a large foreclosure mitigation plan. He stated that “[t]his is necessary as the foreclosure crisis is ... devastating families, communities, the financial system, and the wider economy.” He noted that all of the public and private efforts to date have been “overwhelmed by the magnitude of the problem.” Conservative economist Martin Feldstein also advocated for something similar and noted that the “case-by-case” policy is not enough. FDIC Chair Sheila Bear has proposed a mortgage buy-down solution that must be considered.

### ***Comprehensive Mitigation Plan Must Provide for Extensive Administrative Personnel***

The loan service personnel devoted to person-to-person workout arrangements (sometimes called “loss mitigation officers”) is extremely limited across the country. The few individuals devoted to loss mitigation have to fly from community to community across the country to sit down directly with homeowners. Otherwise, families are left to work their way through complex recorded telephone systems to reach the right person and work through delays due to needed documentation or other circumstances.

Surprisingly, even after adoption of the Economic Bailout some lenders and servicers appear even more reluctant to participate in my workshops. Fannie Mae and Freddie Mac declined to participate at the last workshop because it was held on a Saturday. Fannie and Freddie *did* participate in previous weekend workshops.

The Treasury Department’s plan must do more than “encourage” lenders and loan servicers to do better. We need an army of people working together to expand the number of direct loan servicer/loss mitigation personnel and provide significant emergency funds to HUD-approved housing counselors. The expanded service should be provided only to homeowners of homesteaded, principal residences. (These were the only people I saw at my foreclosure workshops.)

### ***Hope for Homeowners reform and Expanded Neighborhood Stabilization Grants***

Everyone acknowledges that Hope for Homeowners is in need of reform and the TARP Reform and Accountability Act passed in the House two weeks ago is an excellent roadmap for improvement. I applaud the healthy additional resources for neighborhoods, cities and counties through expanded Neighborhood Stabilization grants. The support has

been a godsend for my Tampa Bay communities. Local communities now are requesting greater flexibility in the use of the funds to purchase and rehabilitate foreclosed properties and turn them into safe, affordable places for folks to live.

**Housing and Urban Development is underfunded**

The Tampa Bay regional HUD office personnel has gone from 40 to 18 yet their workload has tripled. While the local HUD office is pleased that lenders are self-approving and underwriting loans, our bold new policy efforts will require HUD personnel to be more involved in achieving the goals to help the homeowners. In addition, a large scale marketing and education effort will be required. We simply cannot rely on lenders to get the word out.

**Bankruptcy Relief**

Urge adoption of a change to bankruptcy law that permits judges to consider and modify a family's foreclosure situation during a bankruptcy proceeding. Such a change will go a long way in helping many American families stay in their homes and in the long run aid our communities and our economy.

Families across America are being forced to make heart-wrenching decisions in order to stay in their homes. The financial crisis is as much a problem for homeowners as for Wall Street investment bankers.

I look forward to working with you as we address the housing crisis and bring much needed relief to our neighbors.

Sincerely,



Kathy Castor  
U.S. Representative Kathy Castor  
Florida – District 11