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**Bradley E. Rock**  
ABA Chairman

Chairman, President and  
CEO  
Bank of Smithtown  
Smithtown, New York

February 25, 2008

Dear Senator:

I am writing to you on behalf of the members of the American Bankers Association in strong opposition to mortgage bankruptcy provisions that have been included in S. 2636, the Foreclosure Prevention Act of 2008, which is likely to be considered by the Senate later this week.

Title IV of this bill would allow bankruptcy judges to modify the terms of first mortgages in Chapter 13 proceedings. This would apply to all loans secured by a primary residence, including first and second mortgages/home equity loans, and since there is no sunset date, it is a permanent change in the law. We strongly oppose S. 2636 unless Title IV is removed.

I am a community banker and have talked to community bankers across the country about this issue. Their banks adhere to strong underwriting principles, and they did not make the kinds of subprime loans that have caused the current problems. Community bankers want to make loans and grow their mortgage portfolios, but they have told me point blank they will have to pull back if this legislation is enacted because it undermines the collateral of ALL first mortgages. There is no doubt that this increased risk and uncertainty will: (1) undermine the ability to provide new loans to those who need to get out from under existing loans they cannot afford; and (2) raise interest rates for millions of American homebuyers in the future.

We strongly oppose Title IV of S. 2636 because:

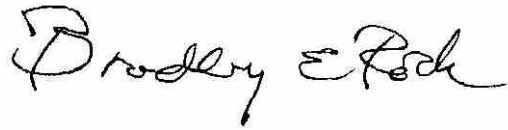
- It would add significant risk and uncertainty to mortgage lending that will lead to higher mortgage interest rates, down payments, and fees, as well as less credit availability for potential homebuyers and those who want to refinance their mortgages. It will make home ownership out of reach for many people and much more expensive for others.
- The risks and costs of mortgages will increase because bankruptcy judges – with no expertise in mortgage lending – will be authorized to modify mortgage terms any way they see fit. This could include reducing loan balances, reducing or freezing interest rates, and extending the terms of loans. Giving bankruptcy judges this unilateral power would result in increased borrowing costs for consumers. The Congressional Budget Office (CBO) noted in a recent report that one of the costs of the bill “would be higher mortgage interest rates.”
- It would also further restrict credit at a time when every effort possible is being made to stimulate the economy and avoid a recession. It would reduce mortgage originations by creating uncertainty about the value of collateral,

and it would adversely affect the secondary market by introducing greater uncertainty about the value of the assets underlying mortgage-backed securities. This new concern about assets' value would increase the turmoil in the mortgage market and pose a threat to the overall economy.

- It would undermine the effectiveness of Congressional and private-sector initiatives to help homeowners. These efforts are starting to take hold. The HOPE NOW alliance of counselors, lenders, and servicers reported in February that more than 879,000 homeowners have been helped so far through repayment plans and workouts, and that the number of borrowers being helped is accelerating rapidly. In addition, the six major mortgage servicers announced a 30-day freeze in foreclosures for certain subprime borrowers.

Bankers across the country are working hard to help troubled borrowers, including refinancing subprime loans made by others. Title IV of S. 2636 would clearly undermine these efforts. Therefore, we strongly urge you to support efforts to remove Title IV from the bill and to oppose S. 2636 unless Title IV is removed.

Sincerely,

A handwritten signature in black ink that reads "Bradley E. Rock". The signature is written in a cursive style with a large, stylized initial 'B'.

Bradley E. Rock  
ABA Chairman

Chairman, President and CEO  
Bank of Smithtown  
Smithtown, New York