

National Foreclosure Prevention and Neighborhood Stabilization Task Force

April 3, 2014

The Honorable Ron Wyden
Chairman, Senate Finance Committee
221 Dirksen Senate Office Building 104
Washington, DC 20510

The Honorable Orrin Hatch
Ranking Member, Senate Finance Committee
Hart Senate Office Building
Washington, DC 20510

Re: Comments regarding the extension of the Mortgage Debt Relief Act

Dear Chairman Wyden and Ranking Member Hatch:

We, the undersigned members of the National Foreclosure Prevention and Neighborhood Stabilization Task Force, are strong supporters of the Mortgage Debt Relief Act and thank Chairman Wyden and Ranking Member Hatch for their support of this provision in the Expiring Provisions Improvement Reform and Efficiency Act. We now urge the full committee to act swiftly to extend this important tax exemption. First passed in 2007, this provision helps to ensure that distressed homeowners who modify the mortgage on their home through principal forgiveness or through the completion of a short sale do not face income tax on the amount of the loan that has been forgiven.

Unfortunately, the lapse of this important tax relief provision has now made it harder for tens of thousands of American homeowners to avoid foreclosure by modifying their existing mortgage agreements. It also means that struggling homeowners with recourse loans could face an extra tax burden after losing their homes to foreclosure. Until Congress renews the Act, people nationwide are left in a state of limbo, not knowing whether they can manage a mortgage modification or arrange a short sale without paying additional tax. This uncertainty undermines the success of proven programs and leaves families already facing economic hardship with fewer options.

About the Task Force

Convened in November 2007, the National Foreclosure Prevention and Neighborhood Stabilization Task Force is a cross-industry group of local and national organizations working to address the impacts of the foreclosure crisis on communities. Our mission is to bring together advocates, practitioners, and other experts from across the country around foreclosure prevention and neighborhood stabilization efforts, to exchange critical information and to help craft policy, legislative, and programmatic initiatives that primarily support low and moderate-income individuals and families.

Despite significant recovery in the American housing market there are still million of struggling homeowners. According to a recent CoreLogic report, at the end of 2013 there are 6.5 million underwater homeowners. This means that roughly 13% of all residential properties with a mortgage

have mortgage amounts over the value of the property.¹ Approximately 2 million borrowers are seriously delinquent or in foreclosure, and as many as 1.4 million could potentially benefit from loan modifications that include principal reductions, according to a recent Urban Institute report.²

The federal government has assisted millions of distressed homeowners modify existing mortgage agreements or provide debt forgiveness through such programs the Home Affordable Modification Program (HAMP), Home Affordable Refinance Plan (HARP) and Fannie Mae and Freddie Mac modification programs. These programs have helped homeowners stay in their homes by reducing their monthly payments or outstanding principal balance, or in some cases, by helping dispense of their home through a short sale where the home is sold for less than the original mortgage amount, a move of last resort for many underwater homeowners. But without the assistance of Mortgage Debt Relief act these affected homeowners could be faced with a large bill come tax time, undermining the success of the programs and further jeopardize the financial health of the families the federal government is trying to help.

The Mortgage Debt Relief Act is an essential tool for resolving the mortgage debt overhang that still weighs on the economy. This provision has already helped thousands of families avoid foreclosure. The number of people using the mortgage debt relief exemptions has increased every year, reaching almost 100,000 in 2011.³ With this number expected to climb in 2013 it is essential that Congress extend this crucial provision to aid homeowners in need.

This is why we urge you to support a two year extension of the provision to provide tax relief from mortgage debt forgiveness, retroactive to January 1, 2014 and move to swift passage of the Expiring Provisions Improvement Reform and Efficiency Act. We hope you can move quickly to provide certainty for struggling homeowners and stability for our housing markets and communities.

Sincerely,

The undersigned organizations of the National Foreclosure Prevention and Neighborhood Stabilization Task Force:

AHP Homeownership Center
Albany Community Land Trust
Atlanta Neighborhood Development Partnership, Inc
Capital Impact Partners
Center for American Progress
Center for NYC Neighborhoods
Chicago Urban League

¹ "CoreLogic Equity Report," Fourth Quarter 2013. Accessed here: <http://www.corelogic.com/research/negative-equity/corelogic-q4-2013-equity-report.pdf>

² Goodman, Laurie and Ellen Seidman. "The Mortgage Forgiveness Debt Relief Act Has Expired—Renewal Could Benefit Millions," the Urban Institute. February 17, 2014. Accessed here:: <http://www.urban.org/UploadedPDF/413025-Mortgage-Forgiveness-Debt-Relief-Act-Has-Expired.pdf>

³ Ibid.

Cleveland Housing Network
Community Development Corporation of Utah
Corporation for Enterprise Development (CFED)
Crescent City Community Land Trust
Enterprise Community Partners
Foreclosure Help Center
Habitat for Humanity International
Healthy Neighborhoods, Inc. Baltimore
Homeport
HOPE NOW Alliance
Housing Partnership Network
Housing Trust of Silicon Valley
Local Initiatives Support Corporation (LISC)
Mercy Housing
Michigan State Housing Development Authority
Minnesota Homeownership Center
Mortgage Bankers Association
National Community Development Association
National Community Stabilization Trust
National Council of State Housing Agencies
National Foundation for Credit Counseling
National Housing Conference
Neighborhood Development Foundation
Neighborhood Housing Services of Chicago
Neighborhood Housing Services of Greater Cleveland
Neighborhood Housing Services of South Florida
Resident & Community Development Fund, LLC
TRIP/RCHR NeighborWorks HomeOwnership Center