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United States Senate
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
WASHINGTON, DC 20510–6075

September 10, 2013

The Honorable Carol J. Galante
Assistant Secretary for Housing – Federal Housing Commissioner
Federal Housing Administration
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, D.C. 20410

Dear Commissioner Galante:

We write regarding Mortgagee Letter 2012-22, *Revisions to FHA's Loss Mitigation Home Retention Options*, which became effective on March 15, 2013. Under the eligibility criteria outlined in that Letter, borrowers must be "currently employed" to qualify for an FHA loan modification. We urge you to eliminate that requirement from FHA's loss mitigation policies and procedures and to notify FHA servicers and the public of that change.

While verifying employment is an understandable requirement if a borrower's income source is employment, the "currently employed" requirement discriminates against the many Americans who have stable and verifiable sources of income apart from employment: seniors with personal retirement accounts, Social Security benefits, or survivor benefits; disabled individuals with disability benefits or Social Security Disability Insurance; veterans with veterans' benefits; and single mothers receiving alimony or child support. The "currently employed" requirement may prevent these individuals from participating in FHA's loan modification program, and, as a result, may cause them to lose their homes. There is no good justification for restricting access to the loan modification program based on the source of one's income, and there is certainly no justification for doing so in a manner that systemically hurts our seniors, veterans, and single mothers. The "currently employed" provision is bad for homeowners and also bad for FHA, which can benefit from a more effective loss mitigation program.

We ask that you promptly address this problem and make clear that borrowers who rely exclusively on unearned income sources are not categorically excluded from FHA's loan modification program. We also ask that you reevaluate the applications of individuals, if any, who have been excluded in recent weeks as a result of the source of their income. We look forward to discussing this issue further and appreciate your consideration.

Sincerely,

Tim Johnson
Chairman

Elizabeth Warren