

The Honorable Mel Watt  
Director, Federal Housing Finance Agency  
Constitution Center  
400 7th Street, SW  
Washington, D.C. 20024

Dear Director Watt:

This submission is in strong support of the FHFA proposal to maintain guarantee fees for four states that have elevated foreclosure costs due to practices in their states that significantly extend their foreclosure timelines. This position is based upon our research into the costs and benefits of judicial review of foreclosures in our paper, "A Cost-Benefit Analysis of Judicial Foreclosure Delay."

We would be happy to meet with you and your staff to discuss our findings, as we feel these proposed guarantee fees, while painful for new borrowers in these states, is an important first step in protecting neighborhoods, ensuring borrowers have equal access to mortgage credit in all states, and harmonizing a mortgage market that has become increasingly integrated across state lines.

Our main findings are as follows:

1. The post-crisis foreclosure review process has increased costs in certain judicial states to the point where, absent an appropriate policy response, these costs are likely to have significant negative consequences on the provisioning of credit and for default management practices at servicers.
2. Long delays from judicial foreclosure reviews do not generate benefits to borrowers in terms of prevented foreclosures or more modifications; they just create more persistently delinquent borrowers.
3. The presence of more persistently delinquent borrowers in these states imposes large costs to neighborhoods and appears to have slowed house price recovery in many judicial foreclosure states.

Thank you for considering these materials. Please contact us if we can provide further information.

Sincerely,



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