From: kellydennisff@gmail.com on behalf of kelly lynch [kelly@lawyerkelly.com]
Sent: Thursday, June 10, 2010 9:48 AM
To: !FHFA REG-COMMENTS; senator@feinstein.senate.gov
Subject: RIN 2590-AA27 Perhaps Congress should look again at the purpose in light of todays economy and the Housing Meltdown

With all due respect, just because Congress enacted an amendment to the HERA, effective 7/30/08, doesn't mean it is a good idea to implement it in 6/2010. A lot has happened since 2008.

This year, Congressional hearings have shown that people buying homes with no money down, are a high risk for walking away and foreclosure. The hearings have also shown that mortgage brokers will put unsophisticated buyers into un-payable mortgages designed to default, and financial institutions will group, repackage, and sell those mortgages to pension funds as AAA rated investment products, when they are really more like BBB or C. It is a big reason why the markets crashed and retirees have lost 20-40% of the money they have counted on to live. The Financial Reform to correct those problems has not yet become law and won't for several months.

Those high risks combined with the unemployment numbers we've been seeing for the last year mean a lot of taxpayer money will flow down the drain during a time of record breaking government spending. The money would be much better spent on teaching very low to moderate income people to live on a balanced budget, and to save for a larger deposit on a home - so their mortgage will be less expensive. The government has no business helping people get into homes they really can't afford. It will reduce property tax collections, cause increased foreclosures, and harm neighborhoods.

I urge the FHFA to raise this issue with Congress and make sure Congress still wants to go forward with it. Perhaps some changes are in order like:

- Reducing the mortgage amount available from 102% down to 85 or 90%. At least so the homeowner has some skin in the game and is less likely to default.
- Not making these loans available in areas with unemployment above 8%.
- Only loan to people with a documented steady income for at least the last 3 years, and an on-time debt payment credit history.
- The person's debt to income ratio is below 30% including the FHFA mortgage.

The shadow inventory of homes the banks have yet to foreclose on or take back is continuing artificially high home values. Selling homes to people who really can't afford them now or in the future even with the FHFA's help keep home prices artificially high rather than letting the market correction get to the bottom and firm foundation to work from.

Home prices are still artificially inflated across the country. Putting very low to moderate income people into a home that is over-priced is at best a disservice to person and at worst a fraud. It will only get the new homeowners' hopes up that they can finally afford a home - when they really can't. Recent history has already shown that the people this legislation is supposed to help will feel a tremendous loss when they default and go through foreclosure. It will not only break their hearts, but will cause them to distrust the government, and cause depression which will increase health costs. In the end, they will be exactly where they are now - only they will be even more cynical and disheartened. And why? Because the FHFA's plan of giving loans up to 102% loan to value has been proven to be unsustainable.

If this program is implemented, it should be called the Give More Taxpayer Money to Mortgage Lenders Plan since banks will be ones that will receive the taxpayers money (AGAIN) when the homeowners FHFA helps go into default and foreclosure.

I like the idea of the government helping very low to moderate income people, but it needs to be in ways that help them become more self-sufficient. Not in ways that ultimately batter their self-esteem, and will to contribute to society by working and paying taxes. Implementing this legislation during these economic times is to resurrect the housing bubble/crash cycle we are trying to recover from. A change is needed in the implementation of this plan.

Sincerely,
Kelly Lynch
California Attorney and Taxpayer