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MADIGAN DEMANDS DEBT REDUCTION FOR FANNIE, FREDDIE BORROWERS***Attorney General Says Principal Reductions Needed to Stabilize
Housing Market, Economy***

Chicago — Attorney General Lisa Madigan today called on the Federal Housing Finance Agency to immediately implement appropriate principal reductions to home loans held by Fannie Mae and Freddie Mac.

In a letter to Edward J. DeMarco, the acting director of the Federal Housing Finance Agency, which oversees Fannie and Freddie, Madigan demanded the agency reassess its blanket refusal to reduce any mortgage debts for Fannie and Freddie borrowers who are underwater. Based on FHFA data, Madigan stressed that targeted principal reductions can avoid unnecessary harm to homeowners and communities and help the housing market recover.

"Principal reductions for borrowers can prevent the likelihood of defaulting and in turn, prevent unnecessary foreclosures," Attorney General Madigan said. "This is a critical step to repair the widespread destruction caused by the housing market's crash that has reverberated in communities across Illinois."

In issuing her letter, Madigan noted emerging media reports early Friday citing a new internal analysis conducted at FHFA that reportedly shows the benefits of principal mortgage reductions. The Attorney General stressed the urgent need for FHFA to address the reports and immediately begin taking steps to implement debt reductions.

Some of the country's largest banks have begun offering debt forgiveness – so-called principal reductions – to home loans for underwater borrowers, who owe more on their homes than they are worth, in an effort to stabilize the housing market. Madigan said FHFA's refusal to follow suit raises particular concerns because Fannie and Freddie hold a considerable share of all home mortgages nationwide.

Importantly, Madigan fought hard to include principal reductions during negotiations leading up to last month's \$25 billion settlement reached by her office, her counterparts and federal officials with the nation's five largest mortgage servicers – Bank of America, JPMorgan Chase, Wells Fargo, Citibank and Ally Bank, formerly GMAC.

The settlement addressed allegations of widespread "robo-signing" of foreclosure documents and other fraudulent practices in the servicing of loans of struggling homeowners. It is the largest settlement ever obtained through joint action of state attorneys general and the federal government, and it is estimated to provide more than \$1 billion in relief for Illinois borrowers.

-30-

[Return to March 2012 Press Releases](#)