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MADIGAN, ATTORNEYS GENERAL CALL FOR NEW LEADERSHIP OF FANNIE MAE AND FREDDIE MAC***Letter to President, Congressional Leadership Calls Fannie Mae and Freddie Mac an "Obstacle to Progress" For Nation's Homeowners; Stresses the Need for Principal Write-Downs***

Chicago — Calling Fannie Mae and Freddie Mac a "direct impediment to our economic recovery" by the continued refusal to give principal relief for struggling homeowners, Attorney General Lisa Madigan was joined by eight other attorneys general in a letter today calling for a new permanent leader to replace Edward DeMarco as director of the Federal Housing Finance Agency (FHFA).

"Unfortunately, Fannie Mae and Freddie Mac remain an obstacle to progress by refusing to adopt policies that will maximize relief for homeowners," Madigan said. "It is time for new leadership at the agency who will address the foreclosure crisis in a meaningful way to help bolster the nation's economic recovery."

In the letter, the attorneys general argue that principal mark-downs are a central component of the national foreclosure settlement and continue to bring meaningful relief to distressed borrowers, helping to the local housing market and the economy overall.

The FHFA's continued position that principal forgiveness conflicts with its goal of asset preservation is "not supported by reality," the attorneys general assert in the letter. The agency's current policy actually reduces the value of its holdings portfolio. It is far more profitable for any financial institution to hold a portfolio of performing \$200,000 mortgages that keeps families in their homes than a portfolio of non-performing \$250,000 mortgages headed toward default, according to the attorneys general letter.

"We have worked tirelessly, along with our federal, state, and local partners to develop a multi-pronged approach to dealing with the foreclosure crisis," the letter concludes. "Fannie Mae and Freddie Mac should be among our partners in this effort, and leaders in the arena of loan modification best practices. Instead, they have been an obstruction."

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