

April 29, 2009

To: Members of the United States Senate

Re: Oppose the Durbin Cram Down Amendment to S. 896

The undersigned organizations are strongly opposed to a bankruptcy cram down amendment that is likely to be offered by Senator Richard Durbin (D-IL) to S. 896, the Helping Families Save Their Homes Act of 2009, when this legislation is considered on the Senate floor later this week.

The amendment would allow bankruptcy judges to rewrite arbitrarily the terms of a mortgage contract, including reducing (“cram down”) the amount owed on a mortgage, changing the interest rate, or stretching out the term of the mortgage. The housing market is already unstable and enacting cram down legislation would make things worse by adding even more risk to the mortgage market, effectively undermining efforts by Congress and the Administration to stabilize housing.

Congress and the Administration have taken several strong steps to help troubled borrowers and to get our economy back on track. Enacting this change to our current bankruptcy law would work against those efforts and have the unintended consequence of further destabilizing the markets. Though interest rates today are at all time lows, this legislation would result in higher costs for future borrowers.

We look forward to working with Congress on other proposals to help borrowers and restore stability to the mortgage market. However, we respectfully ask you to oppose the Durbin cram down amendment to S. 896.

American Bankers Association  
American Financial Services Association  
American Insurance Association  
American Securitization Forum  
Consumer Bankers Association  
Consumer Mortgage Coalition  
Independent Community Bankers of America  
Mortgage Bankers Association  
Securities Industry and Financial Markets Association  
The Financial Services Roundtable  
The Housing Policy Council  
U.S. Chamber of Commerce