Congress of the United States
Washington, DC 20515

April 4, 2012

Mr. Edward J. DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street NW
Washington, D.C. 20551

Dear Acting Director DeMarco,

We have serious concerns with the design of the Federal Housing Finance Agency's (FHFA) "REO Initiative" pilot program announced on February 27, 2012, to offer a bulk sale of Fannie Mae real estate owned (REO) properties. We believe implementing this program as proposed would negatively impact the housing market in California and is counter to FHFA's role as conservator to restore the financial health of the Government Sponsored Enterprises (GSEs) and protect the taxpayer. Given the current state of California's housing market, we can find no reason for you to include California in this pilot program. We, therefore, ask that you stop the bulk sale of Fannie Mae foreclosed properties in Los Angeles and Riverside counties, and not to commence such sales in any other counties in California.

Converting carefully selected REO properties into rentals might help reduce excess inventory in appropriately targeted areas, namely those with high inventory and low demand. This strategy could help stabilize home prices and reduce instability in these markets. However, counties in California do not reflect the market conditions required for the GSEs to benefit from such a program. While Los Angeles and Riverside counties are included in the pilot program, they currently have a shortage of homes available for sale. Home buyers in these markets encounter an environment where multiple offers are made on properties, including for distressed and foreclosed properties. Current foreclosure listings are sold in less than 60 days of listing and the properties sell for close to or above the asking price. This environment of high demand and low inventory is not appropriate for the REO pilot program. The GSEs have been able to minimize their losses on non-performing loans in these counties through the traditional foreclosure disposition process. As such, we see no reason to alter the current system in these counties, as such an action would only harm the market and result in greater losses for the GSEs, and ultimately the taxpayer.

More fundamentally, we are concerned that including California counties in this initiative is in direct conflict with your duty as conservator to preserve and conserve the Company's assets and property and to put the Company in a sound and solvent condition. In California, there is no question that disposing properties through bulk sales will yield a lower return for the GSEs and taxpayers than through traditional disposition methods. This means that such a program will increase losses to the taxpayer and GSEs.

For the above stated reasons, we fail to understand the rationale behind allowing the GSEs to offer a bulk sale of California properties for an amount less than what would be obtained through traditional foreclosure disposition methods. We strongly encourage you to remove California counties from this pilot program.

Sincerely,

Susan A. Davis

Grace F. Napolitano

Judy Chu

Howard P. "Buck" McKeon

Anna Hunt

Barbara Lee

Brian Bilbray

Howard L. Berman

Mary Bono Mack

List of Signers

Gary Miller
Jerry Lewis
Ken Calvert
Jeff Denham
Elton Gallegly
Dana Rohrabacher
Buck McKeon
Duncan Hunter
Brian Bilbray
Mary Bono Mack

Susan Davis
Brad Sherman
Joe Baca
Grace Napolitano
Judy Chu
Jim Costa
Adam Schiff
Barbara Lee
Howard Berman