United States Senate
WASHINGTON, DC 20510

February 28, 2012

The Honorable Shaun Donovan
Secretary
Department of Housing and Urban Development
451 7th Street SW
Washington, DC 20410

Dear Secretary Donovan,

I am writing today as a follow-up to this morning's hearing on the state of the housing market, where the recent $26 billion state attorneys general mortgage settlement was a topic addressed in your testimony. I thank you for your service and your professionalism in these matters, but there are serious questions that remain unanswered.

I would like to know how the settlement will impact the retirement funds of millions of Americans who have 401(k) or pension plans that may be invested in mortgage securities. It appears that the draft proposal may allow losses from principal write downs to be borne by private mortgage investors who are investing on behalf of retirees and pensioners. If this is true, then we would be transferring wealth from those who saved responsibly to homeowners who acted irresponsibly. Regardless of any mistakes that may have taken place with the foreclosure process, asking savers to have their money transferred to homeowners who became delinquent and subsequently went into foreclosure is unacceptable.

I urge you to take very seriously the role that private investors play in the mortgage market. Not only do investors make a loan possible by allocating capital to borrowers, they invest funds for millions of Americans who are saving for retirement. Ultimately, these investors are ordinary Americans. While press coverage of this settlement and statements by the administration make it sound like the biggest banks are the ones paying into the $26 billion fund, it appears that the losses will actually be borne by private investors, which actually includes the savings of hard working public and private sector workers of all stripes like teachers, firefighters, computer programmers, nurses, among others. Using the funds of these individuals to provide principal reductions or cash payments to homeowners who did not pay their mortgage is un-American, and it is wrong.

If we ever hope to move to a mortgage market that is not entirely reliant on the federal government for credit risk, we need private mortgage investors to build infrastructure, allocate capital, and ultimately help remove a massive $5 trillion of risk away from the taxpayer's balance sheet. We absolutely must not shun the concerns of these investors, who are acting largely on behalf of savers and retirees, or we risk entrenching ourselves even further in a dangerous cycle of government dependence and taxpayer losses for mortgage credit.

Sincerely,

Bob Corker
United States Senator