

Congress of the United States
House of Representatives
Washington, DC 20515-2205

March 21, 2013

The Honorable Jack Lew
U.S. Secretary of the Treasury
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Re: Hardest Hit Fund Programs

Dear Secretary Lew:

I write to urge the approval of the Michigan State Housing Development Authority's ("MSHDA") proposal to use a portion of its allocation from the Hardest Hit Fund ("HHF") through the Emergency Economic Stabilization Act of 2008 ("EESA") to complete demolition in my home state of Michigan. Further, I am requesting a written analysis of my view that the U.S. Department of the Treasury ("Treasury") already has the statutory authority to approve MSHDA's proposal and any like plans from other states.

In this letter I highlight four key reasons that Treasury should speedily act to allow demolition with HHF dollars. 1) Demolition preserves home values; 2) Congress' original intent when passing EESA would allow Treasury to approve the MSHDA's application and like proposals to address foreclosures through targeted demolition programs; 3) Treasury is statutorily obligated to minimize negative impacts and maximize benefits to taxpayers under EESA; and, 4) Significant unspent funds through the HHF program are available to be used for demolition.

EESA provided authority to the Secretary of the Treasury to protect home values, preserve homeownership and maximize overall returns to the taxpayers of the United States. One of the programs created by the Obama Administration under this new authority is the HHF, which assists states most impacted by the economic crisis. HHF provides \$7.6 billion to Housing Finance Agencies ("HFA") in 18 states and the District of Columbia through 58 programs to assist homeowners.

The number of programs relative to the number of HFAs receiving funding demonstrates Treasury's efforts to allow states to tailor programs to their specific needs. One of the largest issues facing states, in particular Michigan and Ohio, are abandoned homes which drive down property values, attract crime, and strain local resources. Research completed by Nigel Griswold and Patricia Norris at the Michigan Land Policy Institute demonstrates a direct relationship between abandoned property and depreciated property values. Griswold and Norris' study focused on Flint, Michigan where 12 percent

of the housing stock is empty, and they found cumulative reductions in sale prices by as much as 2.27 percent for each additional abandoned structure in close proximity to a home.

A study completed by Alan Mallach for Brookings Metropolitan Policy Program further demonstrates that blighted and abandoned properties devalue surrounding homes. Mallach finds that in addition to preserving home values, demolition removes a fiscal drain on municipalities and is an important step towards revitalizing cities.

Congress' intent in passing EESA was to protect home values, keep homeowners in their homes and shore up the nation's housing finance system. Too narrow an interpretation of Treasury's powers under EESA undermines Congressional intent. Treasury should approve demolition programs which prevent avoidable foreclosures, to do otherwise, misses the intent of EESA.

Moreover, EESA requires Treasury to minimize any long-term negative impact and maximize benefits to taxpayers. Fannie Mae and Freddie Mac, which have an implied and real backing of the U.S. government, currently hold over \$5 trillion in mortgage loans. These two facts combined indicate that the U.S. taxpayers would undoubtedly be better off if Treasury were to allow states to use the best means at their disposal to preserve home values.

Based on Treasury's monthly report to Congress, as of February 28, 2013, only 25.8 percent of the \$7.6 billion allocated to states has been disbursed, and of the \$498.6 million allocated to Michigan, only 18.8 percent or \$93.9 million has been disbursed. There is a significant need for demolition in Michigan, and clearly funding is available through HHF.

I am requesting that Treasury provide MSHDA with a decision on their application and send my office a detailed legal analysis of whether Treasury has the legal authority to fund demolition programs through the HHF within 30 days of receiving my letter.

I urge you to speedily move to approve MSHDA's proposal, the best course of action for Michigan and U.S. taxpayers.

Sincerely,



Daniel T. Kildee
MEMBER OF CONGRESS