

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

October 24, 2008

Honorable Richard Baker
President and CEO
Managed Funds Association
2025 M Street, NW, Suite 800
Washington, DC 20036-3309

Dear Mr. Baker:

We enclose for you a press release and letter which we sent out this morning on reading in the *New York Times* of the decision by two hedge funds actively to obstruct the operation of the important foreclosure mitigation bill we passed in July. We ask that the Managed Funds Association let us know if there are other hedge funds that are taking a similar position, and we also are inviting the Association—with a firm hope that you will be able to send a representative—to attend a hearing we will be having on this question of hedge fund compliance with our efforts on November 12.


BARNEY FRANK


MAXINE WATERS


LUIS V. GUTIERREZ


PAUL E. KANJORSKI


CAROLYN MALONEY


MELVIN L. WATT

Enclosures



Congressman Barney Frank, Chairman

For Immediate Release:
October 24, 2008

Contact: Steve Adamske (202) 225-7141
or Heather Wong (202) 226-3314

**Chairmen Frank, Kanjorski, Maloney, Waters, Gutierrez and Watt
Demand Hedge Funds Drop Opposition to Foreclosure Prevention**
November 12th Financial Services Committee Hearing Announced

Washington, DC -- House Financial Services Committee Chairman Barney Frank (D-MA), along with Capital Markets, Insurance and Government Sponsored Enterprises Subcommittee Chairman Paul E. Kanjorski (D-PA), Financial Institutions and Consumer Credit Subcommittee Chairwoman Carolyn Maloney (D-NY), Housing and Community Opportunity Subcommittee Chairwoman Maxine Waters (D-CA), Domestic and International Monetary Policy Trade and Technology Chairman Luis Gutierrez (D-IL), and Oversight and Investigations Subcommittee Chairman Melvin Watt (D-NC), expressed their "outrage" at the report in the *New York Times* today that at least two hedge funds have warned companies servicing mortgages they should not take advantage of a bill passed by Congress and signed by the President aimed at reducing the rate of foreclosure:

"What Congress passed overwhelmingly and President Bush signed last July provides for a reasonable modification of mortgages that clearly never should have been granted in the first place to avoid foreclosure and thus lessen the economic damage that a cascade of foreclosures has been doing to our economy. In drafting this legislation, we consulted with a wide range of consumers, industry, and government regulatory groups, and we believe we adopted a reasonable proposal. Indeed, we have been criticized by some in the consumer community for not doing more to pressure institutions to avoid foreclosure while minimizing their losses. In light of this, we were outraged to read that two hedge funds, Greenwich Financial Services and Braddock Financial Corporation, are instructing the servicers of their mortgages to defy this national program and to insist on further socially and economically damaging foreclosures. We believe the law clearly allows for modification where such changes would involve a lesser loss than foreclosure, and the benefits to the whole economy of such an approach are obvious."

"For hedge funds, which have been the beneficiary of a lack of regulations and a very permissive attitude, now to put obstacles in the way of this important national policy is intolerable. We have written to these two hedge funds and to the Managed Funds Association as well, strongly urging them to reverse this policy which will have such negative impacts on the economy. Because this is so important, and because this irresponsible, antisocial behavior by these hedge funds has such important implications, we have set a hearing of the Financial Services Committee for November 12, and we are inviting these companies as well as the Managed Funds Association to attend. If we are not able to get voluntary attendance, then we will pursue steps to compel them.

“Many in the financial community have objected to the argument many of us have made that homeowners should be allowed to invoke the protection of the bankruptcy laws on single family residences, as they are on second and third homes. The argument in the financial community has been not only that this would be damaging, but that it would not be necessary to achieve the economically desirable result of reduced foreclosures. But the decision of these two companies actively to oppose our efforts to achieve voluntary compliance quickly undercut that argument, and people in the financial community should not be surprised if this sort of blatant refusal to show any cooperation whatsoever with our efforts leads to an increased demand for much tougher legislation.”

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United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

October 24, 2008

Mr. William Frey
President
Greenwich Financial Services, LLC
599 West Putnam Avenue
Greenwich, CT 06831

Dear Mr. Frey:

We were outraged to read in today's *New York Times* that you are actively opposing our efforts to achieve a diminution in foreclosures by voluntary efforts. Your decision is a serious threat to our efforts to respond to the current economic crisis, and we strongly urge you to reverse it. Given the importance of this to the economy and to what it means for future regulatory efforts, we have set a hearing for November 12, and we invite you now to testify. We believe it is essential for our policymaking function for you to appear at such a hearing, and if this cannot be arranged on a voluntary basis, then we will pursue further steps.

For the hedge fund industry, which has flourished for much of the past decade, to take steps so actively in opposition to what is currently in the national economic interest is deeply troubling and will clearly have serious implications for the rules by which we operate in the future if this posture of obstruction of our efforts is maintained.

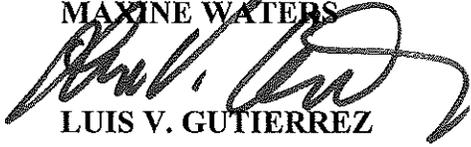
We very much hope you will be able to tell us very soon that you have reversed your position of trying to obstruct the operation of the bill that was overwhelmingly passed by Congress and signed by the President this summer, and we hope that you will also affirm your presence at the hearing on November 12.



BARNEY FRANK



MAXINE WATERS



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CAROLYN MALONEY



MELVIN L. WATT

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

October 24, 2008

Mr. Harvey B. Allon
Chairman and CEO
Braddock Financial Corporation
1200 17th Street, Suite 880
Denver, CO 80202

Dear Mr. Allon:

We were outraged to read in today's *New York Times* that you are actively opposing our efforts to achieve a diminution in foreclosures by voluntary efforts. Your decision is a serious threat to our efforts to respond to the current economic crisis, and we strongly urge you to reverse it. Given the importance of this to the economy and to what it means for future regulatory efforts, we have set a hearing for November 12, and we invite you now to testify. We believe it is essential for our policymaking function for you to appear at such a hearing, and if this cannot be arranged on a voluntary basis, then we will pursue further steps.

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BARNEY FRANK



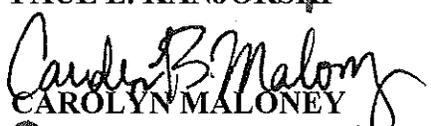
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