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December 19, 2013

The Honorable Harry Reid
Majority Leader
U.S. Senate

The Honorable John Boehner
Speaker of the House of Representatives
U.S. House of Representatives

The Honorable Max Baucus
Senate Finance Committee Chair
U.S. Senate

The Honorable Dave Camp
House Ways and Means Committee Chair
U.S. House of Representatives

Via fax

The Honorable Mitch McConnell
Minority Leader
U.S. Senate

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives

The Honorable Orin Hatch
Senate Finance Committee
Ranking Member, U.S. Senate

The Honorable Sander Levin
House Ways and Means Committee
Ranking Member
U.S. House of Representatives

Dear Majority Leader Reid, Minority Leader McConnell, Speaker Boehner, Minority Leader Pelosi, Committee Chairman Baucus, Committee Ranking Member Hatch, Committee Chairman Camp, and Committee Ranking Member Levin,

The undersigned State Attorneys General write to urge you once again to extend the Mortgage Forgiveness Tax Relief Act. We supported your extension of this benefit last year and we continue to believe that this relief is crucial to both the homeowners struggling to regain their financial footing and to the battered housing market whose recovery is slow and still uncertain. This Act provides a tax exemption to distressed homeowners when their mortgage company forgives debt on the mortgage of their primary residence through a short sale, foreclosure, or loan modification with principal reduction. Under current law, this exemption expires on December 31, 2013. If this deadline is not extended, financially strapped homeowners, even those who lose their home to foreclosure, will be forced to pay taxes as income on any mortgage debt that is forgiven by the holder of the mortgage.

Since entry of the historic national mortgage settlement in February of 2012, the state attorneys general and participating federal agencies have continued our concerted efforts to secure relief for homeowners facing financial hardship and rapidly depreciating housing values. We've seen improvements this year in many markets across the country as home prices have increased, with reported gains earlier this year of 12% or more by the S&P/Case –Shiller home price index. We've also seen an uptick in home equity with CoreLogic reporting that 2.5 million more residential properties returned to positive equity in the second quarter of 2013. However, we are still not where we need to be. The housing market is still fragile, and the recovery is expected to slow in the next few months with declines in prices in some areas. An

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estimated 7.1 million homes with mortgages, or 14.5 percent nationally, are still in negative equity, with rates of 20 to 36 percent in hardest hit areas, meaning that these homeowners owe more on their properties than the property is worth. Similarly, foreclosure rates and home repossessions are improving but are still too high in many places.

At the state level we continue to work daily to assist homeowners trying to save their homes or recover from a mortgage debt they cannot manage. We've made significant headway and seen real results achieved for our citizens through the National Mortgage Settlement and other programs that forgive or cancel mortgage debts through modifications, waivers of foreclosure deficiencies, or short sales. But this assistance will be less meaningful if the very homeowners that receive mortgage debt relief are hit with tax bills they cannot afford. Therefore, we strongly urge you extend the Mortgage Forgiveness Tax Relief Act that is vital to our continued economic recovery and to our citizens who have already lost so much.

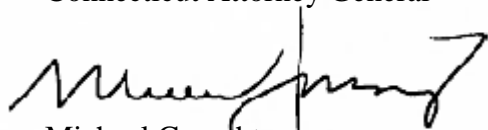
Sincerely,



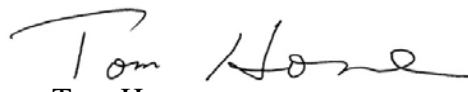
George Jepsen
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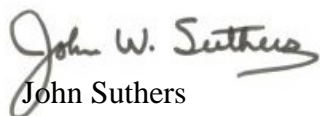
Tom Horne
Arizona Attorney General



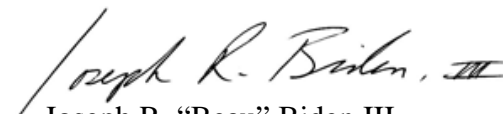
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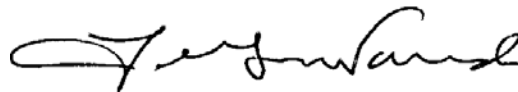
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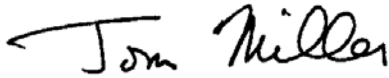
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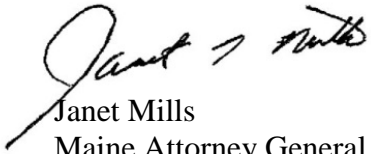
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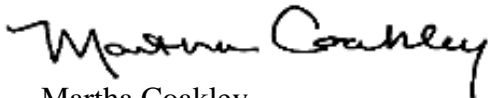
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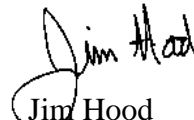
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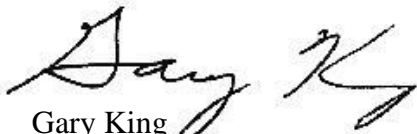
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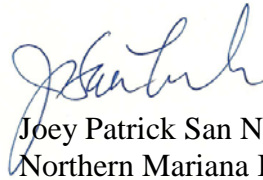
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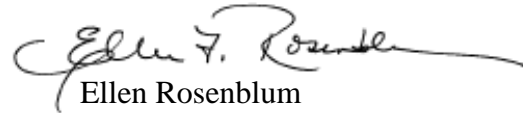
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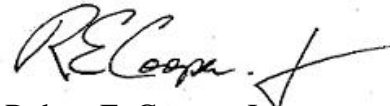
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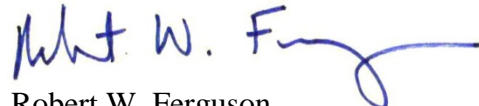
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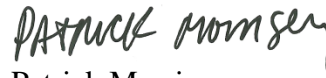
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