



November 20, 2012

PRESIDENT
Doug Gansler
Maryland Attorney General

The Honorable Harry Reid
Majority Leader
U.S. Senate

The Honorable Mitch McConnell
Minority Leader
U.S. Senate

PRESIDENT-ELECT
J.B. Van Hollen
Wisconsin Attorney General

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

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

VICE PRESIDENT
Jim Hood
Mississippi Attorney General

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

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

IMMEDIATE PAST PRESIDENT
Rob McKenna
Washington Attorney General

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

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

EXECUTIVE DIRECTOR
James McPherson

Via fax

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,

As signatories to the National Mortgage Settlement, we the undersigned state attorneys general write to urge you to pass legislation extending tax relief for citizens who have mortgage debt canceled or forgiven because of financial hardship or a decline in housing values. Such legislation is currently included in Section 112 of the Family and Business Tax Cut Certainty Act of 2012 (S. 3521), which was recently passed out of the Senate Finance Committee with bipartisan support. We strongly urge Congress to extend this critical tax exclusion, which expires on December 31, 2012, so that distressed homeowners are not stuck with an unexpected tax bill or deterred from participating in this historic settlement.

On February 9, 2012, 49 state attorneys general and the federal government signed a National Mortgage Settlement requiring five of the nation's largest banks to provide \$17 billion in debt reduction and other relief to homeowners. Many other banks around the country also offer programs that forgive or cancel mortgage debt through loan modifications or short sales. During the first six months of the National Mortgage Settlement's implementation, the nation's five largest banks have provided billions of dollars in debt forgiveness or cancellation to American families. These mortgage modification and debt relief

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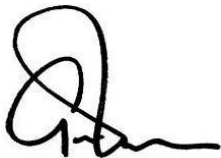
programs provide real relief to homeowners fighting to keep their homes or trying to get back on their feet.

Under the federal Mortgage Debt Relief Act, in effect since 2007, mortgage debt that is forgiven after a foreclosure or short sale or through a loan modification provided to a homeowner in financial hardship may be excluded from a taxpayer's calculation of taxable income. This exclusion only applies to mortgage debt forgiven on primary residences, not second homes. Unfortunately, this tax exclusion expires on December 31, 2012. Therefore, unless Congress acts, all of the remaining debt relief to be provided in 2013 under the National Mortgage Settlement, as well as other mortgage debt relief programs, will likely be considered taxable income. According to the Congressional Budget Office, failure to extend this tax exclusion will result in \$1.3 billion in tax increases on the very families who can least afford it.

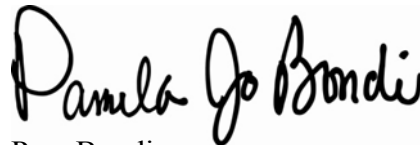
Each of our offices receives calls every day from homeowners trying to save their homes or struggling to recover from losing their homes. A home lost to foreclosure depresses future home sale prices, damages the value of surrounding homes, and harms families, neighborhoods and our general economy. Requiring a homeowner to pay income tax on forgiven or canceled mortgage debt would make the National Mortgage Settlement much less effective.

Congress must act. We urge you to extend the existing exclusion of forgiven or cancelled mortgage debt from taxable income under federal law before it expires at the end of this calendar year.

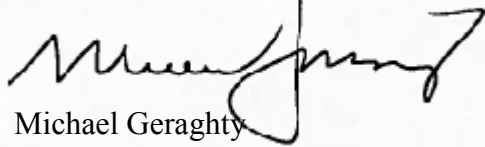
Sincerely,



George Jepsen
Connecticut Attorney General



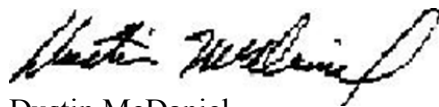
Pam Bondi
Florida Attorney General



Michael Geraghty
Alaska Attorney General



Tom Horne
Arizona Attorney General



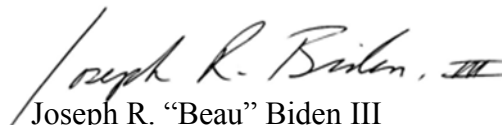
Dustin McDaniel
Arkansas Attorney General



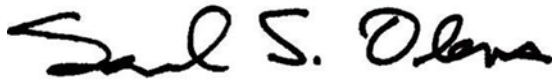
Kamala Harris
California Attorney General



John W. Suthers
Colorado Attorney General



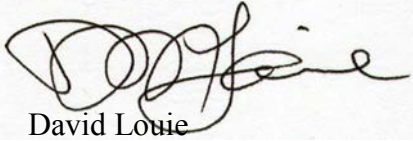
Joseph R. "Beau" Biden III
Delaware Attorney General



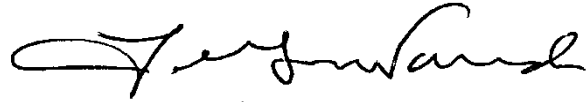
Sam Olens
Georgia Attorney General



Lenny Rapadas
Guam Attorney General



David Louie
Hawaii Attorney General



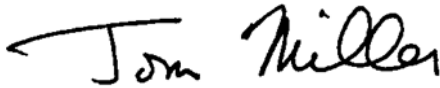
Lawrence Wasden
Idaho Attorney General



Lisa Madigan
Illinois Attorney General



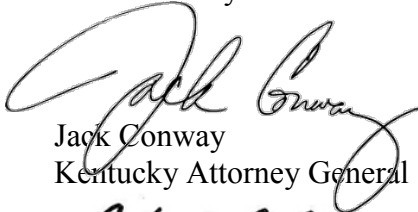
Greg Zoeller
Indiana Attorney General



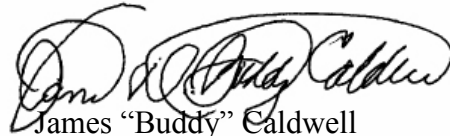
Tom Miller
Iowa Attorney General



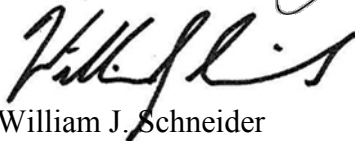
Derek Schmidt
Kansas Attorney General



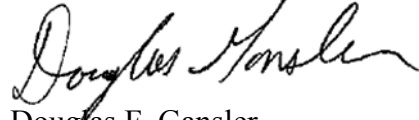
Jack Conway
Kentucky Attorney General



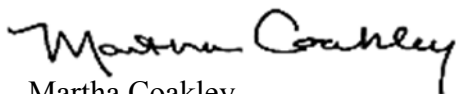
James "Buddy" Caldwell
Louisiana Attorney General



William J. Schneider
Maine Attorney General



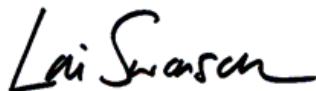
Douglas F. Gansler
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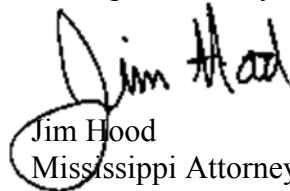
Martha Coakley
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Bill Schuette
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Lori Swanson
Minnesota Attorney General



Jim Hood
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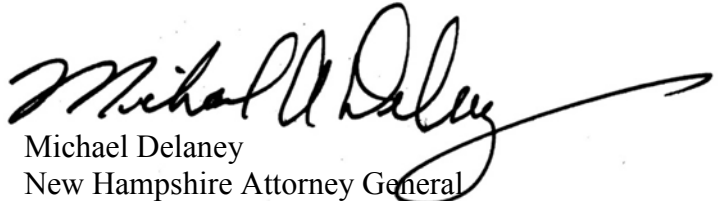
Chris Koster
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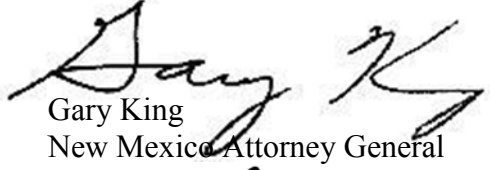
Catherine Cortez Masto
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Michael Delaney
New Hampshire Attorney General



Jeffrey Chiesa
New Jersey Attorney General



Gary King
New Mexico Attorney General



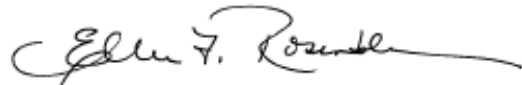
Eric Schneiderman
New York Attorney General



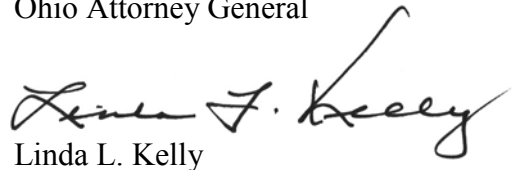
Roy Cooper
North Carolina Attorney General



Mike Dewine
Ohio Attorney General



Ellen Rosenblum
Oregon Attorney General



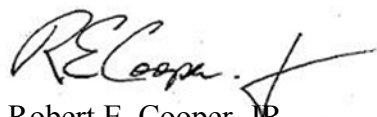
Linda L. Kelly
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Peter Kilmartin
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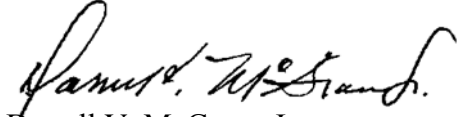
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West Virginia Attorney General



Greg Phillips
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