

August 11, 2009

Dear Member of Congress:

As organizations committed to ending global poverty, we write to urge you to co-sponsor the “Stop VULTURE Funds” Act (H.R. 2932). This bill will help preserve the poverty reduction gains achieved through global debt cancellation efforts by making it illegal for so-called “Vulture Funds” to profiteer from poor country debts at the expense of impoverished citizens of heavily indebted poor nations and U.S. taxpayers who have supported international debt cancellation.

Since 1996, donor countries have committed more than \$90 billion in bilateral and multilateral debt cancellation to 30 countries through the Heavily Indebted Poor Country initiative and the Multilateral Debt Relief Initiative. Thanks to this unprecedented cooperation, countries such as Ghana are using the money formerly earmarked for debt repayment to provide micro-credit to farmers, build classrooms for their children, and fund clean water and sanitation.

At the same time, however, investors, known as Vulture Funds, are taking advantage of this opportunity to speculate and profiteer from poor country debt, as well as debt cancellation efforts. Vulture Funds are investors, generally specialized types of hedge funds or private investment funds, which acquire distressed sovereign debt of poor countries in the secondary credit market at a deep discount – often pennies on the dollar. When the international community resolves to cancel the debt for poor countries, Vulture Funds refuse to participate in that process. Instead they exploit the country by then aggressively pursuing their claims through the seizure of assets, litigation and political pressure, seeking repayments that are far in excess of the amount that they paid for the debt.

Recently, President Barack Obama called on Africa to seize control of its destiny. However, predatory financial practices, such as Vulture Fund profiteering, obstruct African efforts toward that goal. Of the 41 Heavily Indebted Poor Countries (HIPC) eligible for debt relief from the International Monetary Fund and World Bank, at least 20 have been threatened with or subjected to legal actions by commercial creditors and Vulture Funds since 1996. Debtor governments have almost always lost these legal confrontations. And, when they lose, impoverished countries have been obliged to pay the full amount of the original loan, the enormous fees and interest accrued over the decades since the debt was originally incurred, as well as the hefty legal costs of the plaintiff. The total amount of debt covered by these lawsuits since 1996 is more than \$2 billion.

For example, one Vulture Fund judgment forced Zambia to pay Donegal International \$15 million. The debt was originally acquired by Donegal for around \$3 million, and the \$15 million judgment represented 60% of the annual debt service savings Zambia received in debt relief in 2007. In another case currently in litigation in Washington, DC, Vulture Fund FG Hemisphere is suing the Democratic Republic of Congo (DRC) for \$105 million, more than three times the amount of the original \$30 million loan incurred in 1980 by the brutal and corrupt Mobutu dictatorship.

H.R. 2932 would prevent private creditors who acquired sovereign debt on the secondary market from using the U.S. courts to collect the usurious amounts Vulture Funds have historically pursued. The bill allows recovery of the amount paid for the debt, plus six percent simple interest from the date the debt was acquired from a qualified poor country. Additionally, because Vulture Funds tend to operate in a very secretive manner, HR 2932 would mandate that prior to taking legal action in a U.S. court, a creditor must provide additional disclosures to the court, the U.S. Treasury and to the government of the country being sued. These disclosures include simple affidavits, including how much was paid for the debt.

It is unconscionable that global efforts to combat poverty through debt cancellation are being undermined by the practices of Vulture Funds, which seek to profiteer from the world's most impoverished citizens and good-faith debt cancellation negotiations. The "Stop VULTURE Funds" Act (HR 2932) would provide urgently needed reform of this practice. We urge you to co-sponsor this important piece of legislation.

Sincerely,

Advocates International

Africa Action

Alliance for Global Justice

American Friends Service Committee

American Jewish World Service

Bangladesh Development Research Center (BDRC)

Bread for the World

Center of Concern

Columban Justice and Peace Office

Conference of Major Superiors of Men (CMSM)

Essential Action

Foreign Policy In Focus

Friends of the Earth U.S.

Furman University Global Justice

Gender Action

Holy Spirit Missionary Sisters, JPIC, USA

Institute for Justice & Democracy in Haiti

International Accountability Project

IRTF: InterReligious Task Force on Central America

Jubilee Justice Task force of the United Church of Christ

Jubilee NW Coalition

Jubilee Oregon

Jubilee San Diego

Jubilee USA Network

**Justice, Peace & Integrity of Creation Office
Wheaton Franciscans**

Leadership Conference of Women Religious

Marianists International

Maryknoll Office for Global Concerns

Medical Mission Sisters, Sector North America

Mennonite Central Committee U.S. Washington Office

Metanoia Peace Community United Methodist Church

NAACP

New Rules for Global Finance Coalition

Nicaragua Center for Community Action

Nicaragua Network

Oblates of Mary Immaculate, Justice Peace/Integrity of Creation Office

Pax Christi USA

Quixote Center

SF Bay Area Jubilee Debt Cancellation Coalition

Sisters of Charity Federation

Sisters of the Holy Cross - Congregation Justice Committee

SOJOURNERS

South Bay Jubilee Coalition

St Francis Xavier Jubilee Parish, Missoula. MT

TransAfrica Forum

United Church of Christ, Justice and Witness Ministries

United Methodist Church, General Board of Church and Society

Washington Association of Churches