



Statement of Faith Schwartz
Senior Advisor, HOPE NOW Alliance
Before the
Congressional Oversight Panel on the
Troubled Asset Relief Program
Hearing on
“TARP Foreclosure Mitigation Programs”
October 27, 2010

I am Faith Schwartz, and I currently serve as Senior Adviser to the HOPE NOW Alliance, a voluntary foreclosure prevention effort among lenders, servicers, non-profit housing counselors, trade associations and government agencies. My involvement with the HOPE NOW Alliance began in September 2007 at its inception, and I served as its Executive Director through June 2010. I work closely with mortgage servicers, non-profit partners and government agencies and regulators to help homeowners avoid foreclosure. I am also involved as a founding principal in HOPE LoanPort™, a non-profit entity making a positive contribution in improving communications among homeowners, counselors and servicers by ensuring secure processing of loss mitigation solutions and helping borrowers avoid foreclosure.

I appreciate the opportunity to participate in this hearing of the Congressional Oversight Panel. First, I will explain the development and role of the HOPE NOW Alliance, and then I will attempt to respond to the specific questions on loan modifications and other issues raised in the Panel's invitation letter of October 19th.

The HOPE NOW Alliance was formed in 2007 to expand and better coordinate the private sector and non-profit counseling community reach borrowers at risk, counsel borrowers at risk and prevent as many foreclosures as possible through loan modifications and other alternatives to foreclosure. The formation of the Alliance was strongly supported by the Treasury Department and HUD. HOPE NOW participants have expanded and strengthened foreclosure prevention measures through coordinated outreach efforts, providing information and education, and facilitating numerous options for at-risk homeowners that avoid foreclosures.

CONTACTING BORROWERS AT RISK

Early on, the goal of the Alliance was simple: reach at-risk borrowers that had no contact with their servicer. Research showed that over 50% of all foreclosures involved homeowners who were not in contact with their servicer. We focused on outreach efforts by collectively supporting the following:

1) The Homeowner's HOPE Hotline™, 888-995-HOPE™: The hotline is managed by the non-profit Homeownership Preservation Foundation, operates 24 hours a day, 7 days a week in several languages, and connects homeowners to counselors at reputable HUD-certified non-profit agencies around the country. There have been more than 4 million consumer calls into the hotline. Today mortgage investors fund this hotline through current ASF guidance, Fannie Mae and Freddie Mac reimbursement and banks who own the loans on their balance sheet. The hotline has worked with both the Bush and Obama Administrations as the nation's primary foreclosure prevention hotline, and it continues to provide a valuable service for homeowners in every state and the industry.

2) HOPE NOW Outreach events for homeowners: HOPE NOW has hosted over 90 in-person outreach events across the country since 2008. We partner with the Making Home Affordable government program, non-profit homeownership counselors, NeighborWorks America, Fannie Mae and Freddie Mac, and HOPE NOW servicers and mortgage insurers. The events enable homeowners to meet in person with their servicer or a non-profit counselor. We are proud of these events which have served more than 75,000 homeowners who desired to meet with servicers and counselors to work face-to-face on foreclosure prevention solutions. It is important to note the personnel and resource dedication that mortgage servicers have made to the HOPE NOW and other outreach events. Servicers have dedicated teams of loss-mitigation personnel who often work seven days a week to participate in these events and spend hours working with individual distressed homeowners.

3) HOPE NOW Letter Campaign: Since HOPE NOW was formed in late 2007, participating servicers have sent HOPE NOW letters to all 60-day past due borrowers on a monthly basis to encourage them to call their servicer or the Homeowner's HOPE Hotline™. This effort has resulted in an increased contact rate of 18% on average with borrowers who otherwise have not contacted their loan servicer.

4) HOPE NOW Website: www.HOPENOW.com is the website which helps educate consumers and provides links to counselors and servicers for direct help, as well as provides links and information on home preservation resources. Homeowners can go to this website to understand possible solutions and find ways to reach their servicer or a non-profit homeownership counselor. Homeowners also can submit a basic intake document which alerts the servicer to their current situation.

5) HOPE LoanPort™ is an independent non-profit entity that was developed by HOPE NOW after many meetings with non-profits and the government on the issue of lost or incomplete documentation and other communication gaps among counselors, borrowers and loan servicers. Lost or incomplete document submissions have been one of the obstacles that cause frustration among borrowers, policymakers, counselors and servicers. Troubled borrowers do not always submit complete information; servicers are sometimes overburdened by the number of borrowers seeking basic information or assistance, and counselors need a method to help bridge gaps between homeowners and servicers. The new HOPE LoanPort web based system allows a uniform intake of an application for a modification, both HAMP and proprietary solutions, allows for the stakeholders to all see the same information in a secure manner, and delivers a completed loan package to the servicer which is actionable. The pilot is live now, and those involved include 14 major mortgage servicers, representing a majority share of the market, as well as 320 housing counseling offices in 48 states, the District of Columbia and Puerto Rico, with 1700 counselors using this portal. Additionally, the portal is supported by a large nationwide mortgage insurer and various State Housing Finance agencies. This neutral web-portal allows for accountability, stability, security, and confidence that the information from the borrower will not be lost and a decision will be made in a timely manner. Most important, the servicer and counselor steering teams made the decisions on how best to execute and implement changes to enhance this

system. In time, this model is anticipated to help ensure that homeowners seeking help are able to submit complete applications for help and to ensure that these applications do not fall through the cracks and that their packages are safely delivered to loan servicers. It is progress on an important issue. Consumers can visit www.hopeloanportal.org for more information.

HOPE NOW'S ROLE AS POLICY REVIEW FORUM

Since its inception HOPE NOW has been able to provide a forum for servicers and other participants to exchange views with government on foreclosure prevention efforts. It is a candid forum for all participants to discuss what is working or what could be changed for enhanced performance. These in-person meetings take place on a quarterly basis and there are many interim calls among the stakeholders to discuss key issues. Our goal is to keep the members and stakeholders apprised of new information and activity around foreclosure prevention. The HOPE NOW servicing forum helped contribute to the first uniform standards developed by servicers for reviewing loan modifications prior to HAMP and have provided input to government officials on suggestions to improve and make HAMP more efficient

HOPE NOW DATA ON INDUSTRY PERFORMANCE

HOPE NOW has long recognized that data collection would be critical to measuring results of activity in the market. We agreed to publish data each month to measure performance in loss mitigation and recognize strengths and challenges of the many efforts underway. Our data may be found at www.HOPENOW.com and a recent data release and data summary charts are attached to this testimony. We focus on “Non-HAMP” modifications and add to it the formal government-reported HAMP data in order to complement the government activity around modification efforts. The Department of Housing and Urban Development now uses the HOPE NOW data to broaden the snapshot of activity happening overall in the housing market.

August 2010 HOPE NOW Servicer Data Results

This is a summary of the most recent monthly data on loan modifications collected by HOPE NOW from its servicer members, as well as Treasury's data on HAMP:

- 2010 through August, non-HAMP proprietary loan modifications: 874,000 permanent
- 2010 through September, HAMP loan modifications: 429,000 permanent, 413,000 trial modifications
- August Delinquencies (60 days past due): 3.3 million
- 2010 through August, foreclosure starts: 1,720,000
- 2010 through August, foreclosure sales: 775,000
- Life to date modifications: 3.63 million, of which 429,000 are HAMP

permanent modifications and 3.2 million are proprietary modifications.

I would like to note several key points in the data:

- First, in August, non-HAMP loan modifications continued to outpace HAMP modifications by almost a three-to-one margin. When evaluating loan modification efforts, it is important to consider both the number of HAMP modifications and non-HAMP or proprietary modifications. A very significant number of troubled homeowners are getting help in avoiding foreclosure. This includes deed in lieu or short sale option.
- Loan modifications continue to outpace foreclosure sales. In other words, many more homeowners are getting help and staying in their homes than are losing them to foreclosure sale. This is encouraging news in a very difficult environment when unemployment is more than 9 percent in most areas of the country and homeowners are facing very difficult economic circumstances.
- The vast majority of non-HAMP modifications – more than 80 percent year to date now reduce the homeowner’s monthly payment, principal and interest, making the modification more affordable and sustainable for the homeowner. The HAMP program helped establish a waterfall for helping homeowners that lead to these reduced payments and many proprietary modifications are following this process.

MERITS AND DEFICIENCIES OF HAMP

The Home Affordable Modification Program (HAMP) has received criticism, in part, because it did not immediately produce certain projected numbers of permanent loan modifications. This criticism is not entirely accurate. HAMP has played an important role by helping to organize the participants and process in the loan modification effort and instituted a loan modification protocol that would have been difficult to mandate in any other way. HOPE NOW and government agencies attempted this in 2008 through the streamlined modification program (SMP) but it did not reflect all investors and primarily focused on GSE-owned loans. That was a start, but the HAMP program expanded and formalized those initial standards for loan modifications.

Treasury made significant strides in 2009 by signing up the vast majority of the mortgage servicers – approximately 100 – for HAMP and having a HAMP-like process for all GSE servicers. This mandate provided a clear method (or “waterfall”) for evaluating borrowers who were at risk of default. By instituting rules, HAMP established a consistent process for pre-HAMP (trial modification periods) through modifications and short sale and deed in lieu options to prevent foreclosures.

This process provided stakeholders clear guidance to review homeowner’s eligibility to receive a Making Home Affordable solution. All constituents – Treasury, servicers, and

HOPE NOW members – worked countless hours reviewing and offering feedback to ensure guidance was actionable and meaningful.

Importance of the HAMP “Waterfall”: The HAMP process offers homeowners a first line of defense to avoid a foreclosure. The most important achievement of the HAMP government program is that investors, servicers, lenders, non-profits and homeowners have a better road map of the activity necessary to ensure delinquent homeowners (who seek help) are being considered for a solution prior to foreclosure. The HAMP roadmap set the stage for servicers to better apply solutions for distressed borrowers who failed to meet the HAMP requirements. All servicers who signed up for the Government Making Home Affordable MUST review all homeowners for eligibility.

By introducing clear guidance for the HAMP waterfall, Treasury instituted standard protocols on structuring an affordable payment for borrowers. These include:

- a) Forbearance (3-6 months) for unemployed borrowers;
- b) 31% housing DTI split by investors and Government dollars;
- c) Use of lower rate, extended term and principal deferral and or principal write down, to get to the affordable 31% DTI;
- d) If ineligible, servicers must review for proprietary solutions (GSE, other), and if ineligible;
- e) Servicers must consider HAFA (Making Home affordable short sale and deed in lieu) or proprietary programs;
- f) In some instances, follow state mediation requirement to review all solutions outside of foreclosure; and
- g) Foreclosure sale as the final option.

Timelines for homeowners have been extended throughout the process to ensure homeowners have every possible solution offered to them prior to a foreclosure.

Servicers needed to organize reporting systems, report to the government and their own investors, and ensure they had adequate staff and training and systems support to execute this process. In addition, they needed to communicate effectively to the homeowners all of their options and Treasury instituted clear communication requirements including denial requirements of servicers to homeowners.

Challenges of the HAMP program: The HAMP program was rolled out in 2009 with the support of taxpayer dollars to incentivize modifications, short sales and deed in lieu programs to be executed by loan servicers. The program is complex and requires key documentation to ensure there is no fraud in the process due to the use of taxpayers’ dollars. Early on, servicers spent many months re-tooling systems to accommodate Making Home Affordable. This cannot be overstated. Servicers must devote significant time, personnel and technology resources to implement every change or even slight modification in HAMP requirements. Those initial revisions helped slow the conversion from HAMP trial modifications to permanent modifications. The challenges of the

HAMP program include:

- Several changes to the Program which entailed re-training staff and re-tooling systems at the servicer's shops. Over 80 changes to the initial Program occurred.
- Program parameters are complex. HAMP is overly complex and throughout the effort, many processes were left to interpretation.
 - Imminent default: How do you treat a current borrower who is at risk and how do you define hardship? This had several options and iterations among investors and HAMP.
 - Trial modifications required limited documentation which has been adjusted to verifying income early on. Since no documentation was required for trial modifications, as servicers and borrowers attempted to fully document the loans, many did not meet the HAMP criteria.
 - Consumer debt load: As indicated in the HAMP report, many borrowers have excessive consumer debt loads and the HAMP activity focuses on first lien debt, with counseling recommended for high back end ratios.
 - Lack of uniformity for all processes with GSEs: Due to different securities, Fannie Mae and Freddie Mac have some different processes to follow, HAMP-like, but unique to their requirements.
 - Affordability: This program is focused on affordability. Other refinance programs introduced attempted to focus on negative equity such as the GSE refinance programs for up to 125% LTV.
- Eligibility: When the HAMP program evolved, a 31% DTI seemed like an aggressive and good target for homeowners to have an affordable option. But a majority of the defaults are prime mortgages and many are already below the 31% DTI so they do not qualify. In addition, full documentation is required for a permanent modification and many borrowers are not meeting the full documentation requirements. In many cases, houses are abandoned and there is no one to communicate with. Finally, investor properties continue to be part of the defaulting population so that many loans fall outside of HAMP, thus the continued growth in the non-HAMP solutions.
- **Public communication of HAMP and non-HAMP activity:** One clear challenge remains. Loan workouts, modifications and foreclosure prevention are complex processes and difficult to communicate. Treasury, the industry and the government need to improve the message for homeowners on clearly stating the options when considering foreclosure prevention. With so many government programs and many industry programs, clarity around this message should be developed and used through public service announcements and by working with our non-profit counselors. These efforts should dovetail on basic messages around fraudulent scam activities which will deplete cash reserves and leave homeowners more vulnerable.

CURRENT DOCUMENTATION ISSUES ON FORECLOSURE

HOPE NOW is focused on pre-foreclosure activity, and I want to emphasize that working with servicers and counselors to review all options prior to foreclosure should not be impacted given the new issues being reported about foreclosure document review. In fact, it is a reminder to make sure we are all sending that message to homeowners who are confused with this issue.

My opinion (not that of HOPE NOW) is that mortgage servicers will work through these challenges – including mortgage documentation issues. Each company has slightly different process review issues to evaluate and no one process or company is exactly alike. However, as the companies involved have stated and key government officials have stressed, this appears to be a process issue and does not appear to mean the underlying facts of the foreclosure filing – the homeowner’s financial situation and loan delinquency – are incorrect.

At the end of the day, if homeowners are current or in the process of working through a solution, they should not be impacted and sent to foreclosure. If a borrower is in significant arrears, has made no payments for many months, or has abandoned the home, these situations will likely result in a foreclosure. But, if a borrower demonstrates the willingness and capacity to support reasonable payment – or is willing to work with their servicer to relinquish the home in an efficient (least costly) manner – then these borrowers should be supported in those efforts to stabilize their lives. The industry will endure this crisis and continue to work diligently toward helping homeowners, stabilizing housing, and restoring confidence in the U.S. housing markets.

CONCLUSION

HOPE NOW, the mortgage industry, and non-profit counseling agencies continue to work hard to assist at-risk homeowners in avoiding foreclosure. Increasingly, there are more and more resources being utilized in foreclosure prevention. The Homeowner’s HOPE Hotline™ handles millions of calls, and HUD-approved counseling agencies and NFMC recipients counsel hundreds of thousands of people each year. Servicers have many tools to use such as government HAMP modifications, proprietary modifications as options, with short sales and deed-in-lieu as alternatives. These are the key alternatives for homeowners and servicers who are trying to avoid foreclosure.

HAMP modifications offer a well-defined safety net for borrowers as a first line of defense. As evidenced by HOPE NOW data, servicers are implementing significant modifications after reviewing for HAMP eligibility by offering alternative modifications in lieu of foreclosure. Servicers report proprietary non-HAMP solutions run almost 3 times greater than HAMP modifications due to eligibility challenges. We should see this as a positive alternative to foreclosure if they fail to meet the Government required HAMP modification. These are modifications that do not require taxpayer dollars and they are meant to benefit the homeowner and investor in lieu of foreclosure.

This year we are seeing that more than 80% of proprietary modifications have a lower principal and interest payment for the borrower than pre-modification, thus pointing to better affordability. Depending on the economy, we would expect better performance on these modifications versus modifications which may have had higher payments in the past.

We will continue to work with at-risk homeowners to explore all possible solutions in avoiding foreclosure. Thank you for this opportunity to testify on the work of the HOPE NOW Alliance, and I look forward to the panel's questions.

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**HOPE NOW: Nine out of Ten Proprietary Loan Mods in August
Included Principal & Interest Payment Reduction**

Almost 150,000 Permanent Loan Mods for Homeowners for the Month

(WASHINGTON, DC) – HOPE NOW, the private sector alliance of mortgage servicers, investors, mortgage insurers and non-profit counselors released its August 2010 survey data today, which estimates the industry completed almost 150,000 permanent loan modifications for the month.

The reported data for August shows that mortgage servicers completed approximately 116,000 proprietary loan modifications for homeowners and 33,000 Home Affordable Modification Program (HAMP) modifications (as reported by US Treasury Department), for an estimated total of 149,000.

Of particular note in the August data, is that 91% of all proprietary loan modifications for the month (105K) included a reduction of the monthly principal and interest payments for homeowners. This statistic indicates that the vast majority of loan modifications are being structured to make mortgages more sustainable for homeowners.

According to these latest estimates, mortgage servicers have completed 1.3 million loan modifications so far in 2010, and almost 3.7 million since 2007.

Additionally, HOPE NOW's data continues to see declines in 60-day plus mortgage delinquencies which has been a positive trend since January 2010.

Here are the notable highlights of the August 2010 data:

- Proprietary loan modifications completed decreased slightly - 120,351 in July compared to 115,756 in August
- Principal and interest reduction modifications completed continued at a consistent pace - 103,029 in July to 104,988 in August and represented 91% of all proprietary loan modifications
- 60+ days delinquencies decreased from 3,298,236 in July to 3,256,682 in August
- Foreclosure starts increased from 226,664 in July to 245,015 in August
- Completed foreclosure sales increased from 97,951 in July to 101,780 in August

Faith Schwartz, Senior Advisor for HOPE NOW, issued the following statement:

“HOPE NOW is encouraged by the ongoing efforts of its servicing members to seek and provide workout solutions for distressed homeowners. Homeowners and loan servicers are using all available avenues for preventing foreclosures, including utilizing a combination of forbearance, HAMP modifications, proprietary modifications and even short sales and deed in lieu efforts.

Despite significant strides in foreclosure prevention efforts, it is clear that long term job creation will be an important driver for recovery and sustainable homeownership.

Mortgage servicers are the first responders to foreclosure prevention, loss mitigation and resolution, and they are taking the lead in reviewing, resolving and repairing an industry in crisis.

HOPE NOW will continue to support distressed homeowners through face to face outreach events nationwide and by encouraging them to call 888-995-HOPE™ to connect with a non-profit housing counselor in their area.

Additionally, the industry is leveraging HOPE LoanPort™ in its mission to promote technology as the path to increased efficiency and effectiveness in handling loan modification applications. Currently, this web-based loan modification solution is being used by 12 major mortgage servicers and a network of more than 1,600 non-profit housing counselors in 48 states.

For the balance of the year and into 2011 and beyond, the industry will be committed to using all of the tools at its disposal to achieve viable and sustainable mortgage solutions for homeowners nationwide.”



"Year to Date" Snapshot
Industry Extrapolations and HAMP Metrics (January 2010 - August 2010)

	Q1-2010	Q2-2010	Jul-2010	Aug 2010	Year to Date Total or Average
Total Completed Modifications	469,381	499,103	157,046	149,098	1,274,629
HAMP Permanent Modifications ¹	163,863	167,220	36,695	33,342	401,120
Proprietary Modifications Completed ²	305,518	331,883	120,351	115,756	873,509

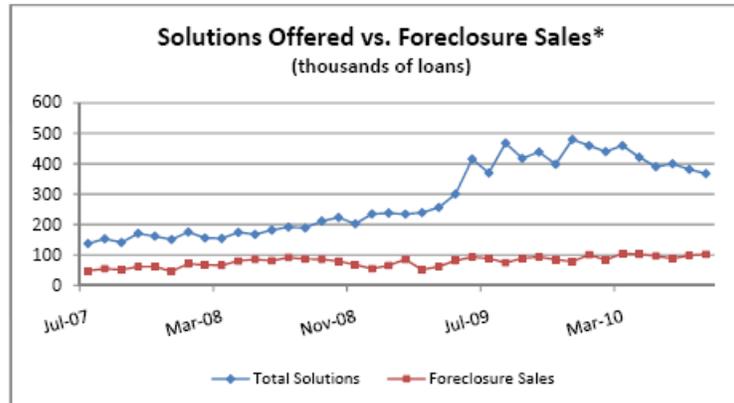
Proprietary Reduced P&I Modifications	234,796	262,958	103,029	104,988	705,770
Proprietary P&I Modifications / Proprietary Modifications	77%	79%	86%	91%	81%

Foreclosure Starts	684,874	566,012	226,664	245,015	1,722,566
Foreclosure Sales	288,526	286,712	97,951	101,780	774,969
60+ Days Delinquency ³	3,944,479	3,605,377	3,298,236	3,256,682	3,650,561

¹Source - Making Home Affordable.

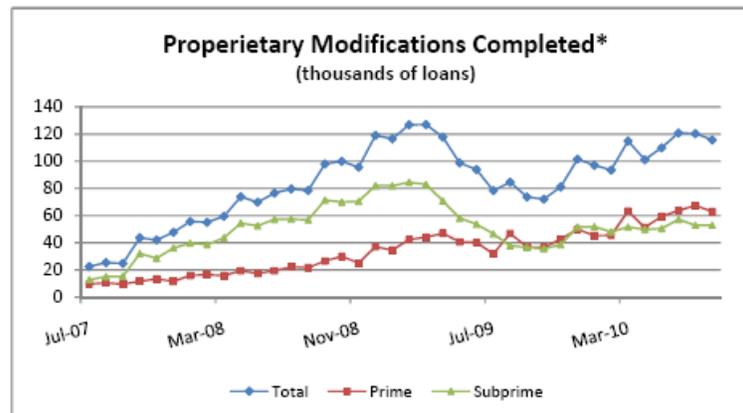
²Extrapolated. Modifications Completed was revised in December 2009 to include Current Modifications and specifically exclude HAMP.

³Monthly average.



Source: Making Home Affordable and HOPE NOW

*Total Solutions is comprised of HAMP Permanent and Trial Loans, Proprietary Modifications Completed, Repayment Plans Initiated, Other Retention Plans Completed, Short Sales and Deed-in-Lieu



*Non-HAMP

HOPE NOW is the industry-created alliance of mortgage servicers, investors, counselors, and other mortgage market participants, brought together by the Financial Services Roundtable, Housing Policy Council and Mortgage Bankers Association, that has developed and is implementing a coordinated plan to help as many homeowners as possible prevent foreclosure and stay in their homes. For more information go to www.HopeNow.com or call the free Homeowner's HOPE™ Hotline at (888) 995-HOPE™.

The following companies are members of the HOPE NOW Alliance:

Acqura Loan Services
American Home Mortgage Servicing, Inc.
Assurant, Inc.
Aurora Loan Services
Bank of America
Bayview Financial
Carrington Mortgage Services, LLC
Citigroup, Inc.
Fannie Mae
Freddie Mac
First Horizon Home Loans
Genworth Mortgage Insurance Corporation
GMAC
HomEq Servicing
HSBC USA
JPMorgan Chase
Lender Business Process Services, Inc.
Litton Loan Servicing
LoanCare
Marathon Asset Management
MetLife Home Loans
MGIC
Mortgage Electronic Registration System
Nationstar Mortgage LLC
Ocwen Loan Servicing
OneWest Bank
PMI Mortgage Insurance Company
PNC Mortgage
Quicken Loans
Radian
Residential Credit Solutions
RoundPoint Financial Group
Saxon Mortgage Services/ Morgan Stanley
Select Portfolio Servicing, Inc.
State Farm Insurance
SunTrust Mortgage, Inc.

Vericrest Financial
Wells Fargo and Company

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