



HOPE NOW Alliance

Statement for the Record

Committee on Oversight and Government Reform

U.S. House of Representatives

Hearing

“Foreclosure Prevention Part II: Are Loan Servicers Honoring Their Commitments To Help Preserve Homeownership?”

U.S. House of Representatives

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The HOPE NOW Alliance appreciates the opportunity to submit this statement for the record for the House Committee on Oversight and Government Reform hearing, “Foreclosure Prevention Part II: Are Loan Servicers Honoring Their Commitments To Help Preserve Homeownership?”

The HOPE NOW Alliance (“HOPE NOW”) is a broad based industry and non-profit alliance with membership that includes housing counselors, mortgage servicers, investors, and other mortgage market participants. There are currently **46** members of HOPE NOW, including major mortgage lenders and servicers, Fannie Mae, Freddie Mac, and mortgage industry trade associations. HOPE NOW also works closely with national HUD Intermediaries and HUD approved non-profit counselors. Through unified, coordinated efforts, HOPE NOW servicers and their non-profit, GSE and government partners are reaching and helping as many homeowners as possible to maximize the preservation of homeownership and minimize foreclosures.

Many HOPE NOW servicers are participating in the Administration’s Home Affordable Modification Program (“HAMP”), and the Alliance itself has worked consistently with our partners, Fannie Mae, Freddie Mac and the Administration in implementing and improving the

HAMP program. HOPE NOW and its members are working to execute HAMP as effectively as possible as it is an important tool to prevent foreclosures.

HOPE NOW servicers continue to make dramatic on-going progress in reaching and helping borrowers. In addition to HAMP modifications, HOPE NOW servicers provide other modification and workout solutions for homeowners in difficulty who do not qualify for HAMP. HOPE NOW and its partners are continuing outreach events for borrowers to receive face-to-face assistance from servicers and counselors. Additionally, HOPE LoanPort is being used now by many HUD approved non-profit counselors to submit complete loan modification applications, each being reviewed for HAMP eligibility.

HAMP

HOPE NOW and many of our servicing company members are supporters of and participants in the Administration's HAMP program. HAMP is an important part of an overall effort to help at-risk homeowners avoid foreclosure and stay in their homes. The fact that servicers initiated more than **1.24 million** HAMP trial modifications through May, 2010 and extended over 1.5 million trial mod offers by that date shows that there has been a significant effort made to utilize HAMP to prevent foreclosures and assist homeowners. Currently 467,672 troubled homeowners are making a smaller, more affordable mortgage payment each month with a HAMP trial modification.

We fully recognize that the focus now is to turn these trial modifications into permanent modifications. Mortgage servicers participating in the Administration's HAMP program are doing everything possible to reach homeowners currently in a trial modification and complete the packages to enable them to get a permanent modification. In May, 47,724 troubled homeowners converted their trial modification, bringing the total to 346,816 permanent HAMP modifications. Homeowners in permanent modifications are experiencing a median payment reduction of 36%, more than \$500 per month. According to the most recent data from Treasury, nearly half of homeowners unable to enter a HAMP permanent modification enter an alternative modification with their servicer.

To help increase the number of people that are assisted under the HAMP program and increase the number of trial modifications that become permanent modifications, servicers have made a number of suggestions to Treasury to strengthen the program and enhance its implementation. These suggestions are included later in this statement.

Loan Workouts

In addition to HAMP modifications, lenders and servicers are helping homeowners through a variety of plans including proprietary bank/investor specific loan modifications, repayment plans, extended forbearance, as well as deed in lieu, and short sales. The industry is continuing to produce individualized workout solutions tailored to each borrower's unique situation. The latest data collected by HOPE NOW on workout solutions for homeowners shows that in the first five months of 2010, over 520,000 homeowners have received a proprietary

modification that prevented a foreclosure. Overall, the industry has helped over 9.5 million homeowners avoid foreclosure since HOPE NOW started tracking workout data in mid-2007.

Direct Outreach to Homeowners

Another critical task that HOPE NOW servicers, non-profits and other partners have focused on is contacting and helping borrowers in-person. Since 2008, HOPE NOW has held 74 outreach events in key housing markets, providing opportunities for homeowners to meet in-person with a housing counselor and/or their mortgage servicer. Mortgage servicers, municipal government agencies, Federal Reserve Banks, numerous regulators including the Department of the Treasury, HUD, housing counseling agencies, local foreclosure prevention task forces and other partners have come together at various locations across the country to help nearly 70,000 borrowers. HOPE NOW is currently partnering with the Making Home Affordable program for all 2010 outreach events and has seen over 18,000 homeowners across the country this year alone.

In addition, HOPE NOW continues to support and promote the work of the Homeownership Preservation Foundation and its Homeowner's HOPE™ Hotline, 888-995-HOPE™. For **free**, the Hotline provides independent and neutral foreclosure mitigation counseling to homeowners, and is available 24 hours a day, 7 days a week, and 365 days a year, in 160 languages. Since October of 2007, the Hotline has received over 3.8 million calls and counseled over 877,000 homeowners. Demand for help from distressed borrowers has continued almost unabated; the Hotline has averaged more than 5,500 calls per day in 2010, and in the past has handled up to 8,000 calls per day.

Web Tools for Non-Profit Counselors and Homeowners

To better assist homeowners avoid foreclosure and receive a loan modification, the HOPE NOW Alliance has developed a variety of web tools for homeowners and housing counselors. Since late 2007, HOPE NOW's website, www.hopenow.com, continues to be a useful resource for homeowners and housing counselors, containing information about how to reach mortgage servicers, what documentation is needed, and education about the different types of loan workouts. Additionally, a borrower can complete an online self assessment to determine if they meet the basic criteria to qualify for HAMP and provide detailed financial information that can immediately be sent to servicers to begin the process to obtain a workout solution.

To further assist at-risk homeowners, HOPE LoanPort™ has been created. This new web-based tool is being used by a growing number of non-profit housing counseling agencies, nationwide servicers, and mortgage insurers to streamline the modification process for distressed homeowners. This web portal allows HUD-approved housing counseling agencies to assist troubled homeowners by submitting a homeowner's full application for assistance for a loan modification under the HAMP program or for possible proprietary solutions. Through HOPE LoanPort, counselors can submit all the homeowners' financial data and necessary documentations through secure lines directly to servicers. Housing counselors are able to track the progress of a homeowner's loan application from status updates provided by the servicer.

This program will help streamline the process of documenting and verifying where a delinquent borrower is in the process of qualifying for a HAMP modification by directly providing servicers with a completed application package. This web portal will also assist in converting HAMP trial modifications to permanent modifications by using it as a vehicle to submit the documentation need for a permanent solution. The expectation of HOPE LoanPort is better communication between servicers, counselors, and homeowners, including the elimination of lost documentation issues.

HOPE LoanPort leverages a neutral open architecture for information to be imported and exported to existing case management systems. This neutral portal will also provide market transparency to identifying where any challenges may exist in the system. The development of this portal was based on significant feedback from investors, servicers, and non profit counseling organizations who all have a vested interest in its success. We will continue to report on the progress the LoanPort achieves in enabling servicers and counselors to assist more homeowners with their loan modification applications.

Currently 163 counseling agencies, including HomeFree USA, Neighborhood Housing Services of Chicago and CredAbility, Los Angeles NHS and a host of other counselors are submitting homeowner applications to servicers, with more agencies joining weekly. Approximately 100 additional counseling offices will go live within 30 days and hundreds of others are in the pipeline to participate in the coming months. 11 Servicing partners have committed to using HOPE LoanPort, they include: Bank of America, Chase Home Finance, GMAC Mortgage, SunTrust Mortgage, PNC Mortgage, Saxon Mortgage, American Home Mortgage Servicing, Inc., Ocwen Loan Servicing, Bayview Loan Servicing, Citi and OneWest Bank.

Nearly 650 modification applications have been submitted so far, with over one third of the applications being submitted in the first weeks of June. The totals are expected to continue to rise dramatically as HOPE LoanPort transfers from its pilot phase to full production and counselor/servicer participation continues to grow. In fact, HOPE LoanPort has already experienced a number of borrowers who've worked with participating counselors to obtain a trial HAMP modification. Many have converted to permanent with the entire transaction between the counselor and servicer being managed through the portal.

Improvements to HAMP

The HAMP program is an important addition to the effort to help at-risk homeowners who want to stay in their homes and have an ability to do so with some assistance. However, it does have some significant flaws that can be addressed to convert more homeowners from trial modifications to permanent ones. Here are several important changes that servicers have suggested to the Treasury Department. A number of these suggestions were developed by the HOPE NOW servicer working group. A complete list has been provided to the Treasury Department.

- 1) **Streamline HAMP documentation.** The HAMP program has detailed documentation requirements for both homeowners and servicers. Some of these are necessary to maintain the integrity of the program, but others can be adjusted to enable servicers to identify and process qualified homeowners more quickly. One significant change that should be made is to immediately adjust documentation requirements to streamline income verification for wage earners. Many homeowners in a trial modification are not completing the tax return requirement. *Treasury should consider eliminating the requirement for tax returns for wage earners and allow use of most recent W-2 or two most recent pay stubs.* This change could significantly advance modifications and underwriting timelines. Some servicers estimate an increase of 20-30% in modification conversions. An alternative could be some form of *“implied approval” process where the homeowner is notified that if they make the trial payment they are authorizing the lender to request their tax return information.* *Non-wage earner homeowners should continue to provide tax returns to verify income.*
- 2) **Revise the re-default assumptions in the HAMP NPV Model.** The Net Present Value Model (NPV) should be updated to reflect the positive impact of key HAMP features such as trial plan performance and income verification. The current re-default assumptions are based on historical modification programs that do not have the same rigor as HAMP and are resulting in homeowners not qualifying for the program. HAMP modifications are based on full underwriting, and servicer data demonstrates that borrowers who are successful in completing a three month trial plan prior to permanent modification have significantly better re-performance rates. With this change, some servicers estimate that re-default rates will be about 30 to 50% lower than what is implied in the current NPV model.
- 3) **Establish responsive and scalable exception process.** Treasury should establish a well-staffed help line and on site support for servicers to review and approve underwriting exceptions. Borrowers’ personal and financial circumstances are highly individual and do not fit neatly into program rules that are quite prescriptive. Servicers are understandably reluctant to approve exceptions that are reasonable but outside the strict parameters of the program rules. Rapid response from Treasury would help these homeowners receive assistance.
- 4) **Clear communication and training for homeowners, counselors, servicers and advocates on HAMP process.** The Administration should increase clear and simple communications to consumers, counselors, servicers and investors on HAMP requirements, The Administration should strengthen efforts to clarify who is eligible for HAMP. There continues to be confusion among homeowners and stress on servicers in determining HAMP eligibility.
- 5) **HOPE NOW outreach events:** The Administration, HOPE NOW and other partners also can help more homeowners by continuing to encourage homeowners to bring the necessary documentation for converting their trial HAMP modification to HOPE NOW outreach events. The events serve as document collection points for homeowners looking

to receive a permanent modification. These events should migrate to be more efficient and effective through use of HOPE LoanPort and other technology solutions, partnering with the community partners who can lead homeowners through the application process. Together we can continue to improve the homeowners experience and leverage our partners on the ground.

Recognize Other Efforts to Assist Homeowners

Mr. Chairman, the HAMP program is an important effort that is assisting hundreds of thousands of homeowners. At the same time, servicers continue to assist hundreds of thousands more homeowners who do not qualify for HAMP through other solutions. These homeowners are avoiding foreclosure. HOPE NOW data shows that in the first five months of 2010, nearly 2.17 million troubled homeowners have received workouts that have prevented foreclosures. We applaud the new HUD scorecard that was released this week to reflect the broader efforts to maintain homeownership and prevent foreclosures when possible. HOPE NOW will continue to work with Treasury and HUD to complement the data reporting efforts and ensure that important information is shared with the public regarding loan modifications and broader efforts that go beyond HAMP. At this time, we know that 77% of non-HAMP modifications carry a lower principal and interest payment for borrowers. We believe this is due to the waterfall and “pull through effect” of a first review for borrower eligibility for HAMP and then qualifying for a “non-HAMP” affordable modification. This approach and uniformity has assisted the marketplace for homeowners across the country.

Chairman Towns, Ranking Member Issa, and members of the Committee, the servicers, counselors and other partners in the HOPE NOW Alliance are dedicated to implementing HAMP providing outreach and other assistance to troubled homeowners. These efforts will continue through 2010 until the housing market stabilizes and homeowners in need have received needed assistance. Thank you for the opportunity to provide this statement