



**Statement of  
Faith Schwartz  
Executive Director, HOPE NOW Alliance  
before the  
Committee on Financial Services  
United States House of Representatives  
July 25, 2008, 10:00 a.m.  
Hearing on  
“A Review of Mortgage Servicing Practices  
and Foreclosure Mitigation”  
2128 Rayburn House Office Building**

Chairman Frank, Ranking Member Bachus, and Members of the Committee, I am Faith Schwartz, Executive Director of the HOPE NOW Alliance. I appreciate the opportunity to appear before you today on behalf of HOPE NOW to talk about the efforts to help at-risk homeowners stay in their homes during this time of serious challenges in the housing market. In particular, I will discuss the steps that the HOPE NOW mortgage servicers are taking to strengthen their ability to respond to at-risk homeowners and non-profit housing counselors.

The HOPE NOW Alliance is a broad-based collaboration between credit and homeownership counselors, lenders, investors, mortgage market participants and trade associations. Since last October, the HOPE NOW Alliance has worked to dramatically expand and coordinate the efforts that individual companies and non-profits are making to help homeowners in difficulty. HOPE NOW builds on efforts that individual companies were making to reach borrowers and it is also an expansion of an industry partnership with NeighborWorks and the Homeownership Preservation Foundation to reach at-risk borrowers and provide counseling to them. Currently, we have 26 servicer members which account for over ninety percent of the subprime market and nearly seventy percent of the prime market. A full list of HOPE NOW members is attached for your reference.

HOPE NOW is a private sector and non-profit alliance, but we have greatly benefited from the encouragement of the President, Treasury Secretary Paulson and by Members of Congress and other leaders. Chairman Frank and Members of this Committee have stressed the need for this type of effort, we are responding to that direction and we continue to seek your comments and guidance.

HOPE NOW is a coordinated, national approach among servicers, investors, non-profit housing counselors and other industry participants to enhance our ability to reach out to borrowers who may have or expect to have difficulty making their mortgage payments and to offer them workable options to avoid foreclosure. While HOPE NOW can not prevent all foreclosures, the HOPE NOW Alliance is achieving real results in reaching more at-risk borrowers and in providing positive solutions that avoid foreclosure.

HOPE NOW has a three-pronged approach to reach our goals of helping homeowners avoid foreclosure: 1) Reaching Homeowners In Need; 2) Counseling Homeowners in Need; 3) Assisting Homeowners in Need.

We are reaching homeowners in need through a national letter campaign and outreach events across the country. We are counseling homeowners in need through the Homeownership Preservation Foundation's hotline, 888-995-HOPE, in-person counseling at NeighborWorks America and all HUD-approved counseling agencies. We are helping borrowers through providing more loan workouts, including loan modifications and repayment plans.

The members of the HOPE NOW Alliance recognize the urgency of this issue, and we are working to reach and assist more homeowners every day. HOPE NOW is an ongoing effort and we have been working hard too address pressing issues such as servicer capacity and responsiveness. I am pleased to have the opportunity to share our progress with you in establishing servicing guidelines and I can also discuss the most recent data on our results in helping at-risk homeowners.

## Servicer Guidelines

This hearing is very timely because as of June 17, all HOPE NOW servicers committed to strong guidelines to speed help to struggling homeowners. All HOPE NOW servicers have agreed to a uniform set of procedures and guidelines intended to improve responsiveness and provide clarity and guidance on how servicers are working to respond to homeowners and counselors. These guidelines significantly enhance the likelihood that homeowners will be able to receive the help they need in a timely manner, that the assistance process is respectful of homeowners and that the support will be as understandable and transparent as possible. Our servicers are working to make their operations consistent with these guidelines over the next sixty days.

These servicing guidelines do four critically important things that will benefit homeowners:

- **Expedite:** The HOPE NOW servicing agreement establishes a uniform, streamlined timetable for action by each mortgage servicer when dealing with a homeowner. This will provide every homeowner who contacts their servicer with deadlines by which action is likely to be taken and a better understanding about their particular situation.
- **Inform:** The HOPE NOW agreement includes extensive procedures by which mortgage servicers will keep homeowners informed about the status of their request for assistance. It also includes access to objective, independent, and no-cost-to-the-homeowner counseling for homeowners who want information about their options. It also puts in place detailed procedures that servicers will use to reach out to homeowners who may be in danger of losing their home.
- **Protect:** The HOPE NOW agreement establishes an extensive set of options that our mortgage servicers agree to use to help homeowners avoid foreclosure, including loan modifications, repayment plans, partial claims, and temporarily suspending the need to make monthly payments. The agreement also calls on mortgage servicers to delay foreclosure proceedings that are about to begin or have already begun when there is a possibility that other options will allow the homeowner to stay in their home.
- **Remedy:** The HOPE NOW agreement includes guidelines for dealing with what up until now have been two of the most difficult foreclosure-related issues – second mortgages and short sales. Because of the guidelines established in this agreement, neither of these should be as difficult for homeowners as they have been in the past.

Because of the complicated legal issues involved and the different procedures used by each of the servicers, the agreement was carefully developed between April and June 2008. Although many of the HOPE NOW mortgage servicers had been implementing their own version of some of these guidelines for some time, they are now committing to fully implementing these uniform principles and standards within 60 days. By establishing these guidelines, HOPE NOW members are improving the infrastructure needed to help more borrowers on a much larger scale. In addition to improving lender/servicer systems for working with counselors and

borrowers, we are redoubling our efforts to reach out to at-risk borrowers. The full guidelines are attached for your information, but I want to highlight the critical elements of the guidelines.

## **1) Communication and Outreach**

HOPE NOW servicers are committed to reaching out to all their borrowers who are having difficulty paying their mortgage or are otherwise at-risk of foreclosure. Servicers are participating in a variety of outreach efforts to reach the most borrowers, including a national letter campaign and local homeownership preservation workshops. In addition, HOPE NOW servicers are committed to contacting all borrowers with subprime adjustable rate mortgages 120 days in advance of reset. Also, servicers are establishing toll-free hotlines, faxes, and emails for counselors to reach them directly thus providing for a more efficient process for struggling borrowers.

Consistently, one of the largest issues facing lenders is achieving contact with their borrower. In late 2007, Freddie Mac retained Roper Public Affairs and Media to conduct research on the behavior of borrowers to understand why borrowers do not contact their lenders. This study is an update to their original research done in 2005. When asked, the majority of homeowners say they are not aware of options that mortgage lenders can offer to a person having trouble with their mortgage (57% of delinquent borrowers and 65% of good standing owners). This is only slightly better than the results from 2005 (61% of delinquent borrowers and 73% of good standing owners).<sup>1</sup>

HOPE NOW continues to work to overcome this contact barrier but it is still a very serious challenge. For example, since November 2007, HOPE NOW servicers have mailed almost 1.5 million letters to borrowers who are 60 days or greater past due. The average monthly response rate is 20 percent. While that is far better than the typical 2-3 percent response rate which servicers get when sending their own mailing, it is not nearly enough; the vast majority of no-contact delinquent borrowers still have no contact with their servicer. We urge you to continue help get the message to your constituents and all at-risk homeowners who receive a letter to call their lender or the Homeowner's HOPE Hotline, 888-995-HOPE.

It is also important to call attention to the problem of scams in the market which offer to save your home for a fee. Everything HOPE NOW is doing is free to the borrower. There should be no third party requirement to pay for modifications fees or other fees. We continue to work to limit confusion to borrowers and stop copycat websites. We urge homeowners to seek help directly from their servicer or a HUD-approved non-profit counselor. They should avoid promises to help that come with a fee when that help is available for free from HOPE NOW Alliance members, which includes all HUD-approved non-profit counseling agencies.

### **HOPE NOW Homeownership Preservation Workshops**

In addition to the early contact, direct mail campaign and promotion of the HOPE Hotline to reach at-risk borrowers, HOPE NOW is conducting a series of in-person workshops for

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<sup>1</sup> Freddie Mac. "Foreclosure Avoidance Research II." Available at:  
[http://www.freddiemac.com/service/msp/pdf/foreclosure\\_avoidance\\_dec2007.pdf](http://www.freddiemac.com/service/msp/pdf/foreclosure_avoidance_dec2007.pdf).

homeowners. These workshops are held across the country, providing at-risk borrowers an opportunity to meet directly and talk with their loan servicer or a local HUD-approved counselor. Counseling agencies affiliated with HUD intermediaries, such as ACORN, NeighborWorks, NID, NFCC, and others, have played an active role.

Since the first week of March, more than 5,700 homeowners have attended HOPE NOW workshops. HOPE NOW mortgage servicers participate in these events and provide workout solutions on site, and non-profit counselors provide in-depth debt and credit management assistance. These collaborative workshops are enabling more homeowners to meet with their mortgage company representative and develop workout solutions that help them stay in their home.

The reactions of homeowners who have attended these events are overwhelmingly positive and we look forward to reaching even more borrowers. Homeowners have shared with us the following comments: “It gave me hope that I will survive,” “We received a reduction in our payment and were not meant to feel belittled or intimidated,” “Without your help, we would have lost our home,” and “I am too choked up to talk.” Attached to this testimony are more examples of homeowner responses to our homeownership events.

In the coming weeks and months, HOPE NOW is hosting more outreach events. Today and tomorrow, July 25 and 26, there are HOPE NOW events in Newark and Mt. Laurel, New Jersey respectively. On August 12, we are co-hosting a large homeownership event in Boston at the Gillette Stadium with the Federal Reserve of Boston and NeighborWorks America. On behalf of HOPE NOW, I would like to personally thank Chairman Frank for agreeing to participate in this important event. A full list of upcoming HOPE NOW outreach events for homeowners is attached.

### **Counseling Data**

The Homeownership Preservation Foundation’s Homeowner’s HOPE™ Hotline (888-995-HOPE), a key component of the outreach and assistance effort for at-risk homeowners, continues to have a dramatic and positive impact for distressed homeowners.

The hotline directly connects homeowners with trained counselors at non-profit counseling agencies that have been certified by the Department of Housing and Urban Development (HUD). This counseling service is completely free to borrowers and is offered in English and Spanish. The counselors have direct access to the lender/servicers through improved single points of entry that all HOPE NOW Alliance members agreed to create. Providing this direct point of contact for non-profit counselors to loan servicers represents real and important progress by HOPE NOW members.

- To date, the Homeownership Preservation Foundation Homeowner’s HOPE™ Hotline has received 830,571 calls, and counseled 282,283 homeowners.
- In the second quarter 2008, the Foundation received 198,450 calls and counseled 68,899 borrowers.
- Over 20 percent of the borrowers counseled were from California and an additional 12 percent were from Florida.

- The Counseling sessions produce results. In the second quarter of 2008, one third of homeowners counseled were referred to their lender for a recommended workout.
- The HOPE Hotline is currently receiving an average of 2,700 calls a day.

Members of Congress have played an important role in helping promote counseling and the hotline. Members of Congress and other community leaders can continue to assist in this critical effort to help people stay out of foreclosure by urging homeowners to seek help and publicize HOPE NOW efforts, particularly the Homeowner's HOPE Hotline, 888-995-HOPE. We would like to continue to work with the members of the Financial Services Committee to ensure that more homeowners are aware of the HOPE hotline and other assistance from the HOPE NOW Alliance. We also encourage the homeowners to reach out to HUD counseling intermediaries, all of which are Alliance partners, for foreclosure prevention counseling. The list of counseling agencies is also included in our attachments.

### **Funding Counseling through Fee for Service Model**

As part of a sustainable effort to help at-risk homeowners through free, non-profit counseling, HOPE NOW servicers have committed to a system for funding this counseling through a “fee for service” model for foreclosure prevention counseling. Servicers and investors have agreed to a system for funding counseling for their customers who benefit from non-profit counseling to avoid foreclosures. The American Securitization Forum, Fannie Mae, and Freddie Mac have agreed to pay “fee for service” on behalf of investors for loans they own in which the homeowner is counseled. The vision of HOPE NOW is to create a long-term model to support payment of foreclosure prevention counseling. Obviously, government support for non-profits is also greatly needed, but a sustainable private sector funding model for counseling will help provide help for homeowners going forward. In addition to paying for the counseling, this HOPE NOW vision also includes free access to technology for counselors, single port of entry for all housing counselors, and increased communication and working relationships with servicers and third party housing counselors to work with borrowers at risk.

This “fee for service” funding model is innovative and has never been done before at this scale or in foreclosure prevention counseling. Counseling agencies, servicers, and investors are continuing to work together to reach, counsel, and assist all homeowners in need.

### **2) Reporting:**

HOPE NOW servicers agree to track and report on performance to gauge industry progress towards reducing foreclosures and increasing options for distressed homeowners.

### **Measuring HOPE NOW's Results**

The members of HOPE NOW recognize that results are the key to this national effort to assist at-risk homeowners. We are voluntarily collecting data on a regular basis and updating our results on the efforts to help homeowners. I am pleased to share with you the latest results from HOPE NOW servicers on their efforts. This latest HOPE NOW data shows that additional homeowners are continuing to receive assistance to avoid foreclosure and remain in their homes.

- From July 2007 to May 2008, nearly 1.7 million borrowers avoided foreclosure through loan workouts.
- In May 2008, mortgage servicers helped approximately 170,000 homeowners avoid foreclosure: 100,000 were placed on repayment plans and 70,000 were given loan modifications.
- If this monthly rate continues through June, in the second quarter of 2008, the mortgage lending industry will help approximately 519,000 homeowners avoid foreclosure and stay in their homes, the largest number of workouts in any quarter since HOPE NOW began in July 2007.

### **A Note on Differences in HOPE NOW, OCC and OTS Data**

As you know, there have been press reports and discussions on how the numbers reported by HOPE NOW differ from those recently reported by the Office of the Comptroller of the Currency (OCC) and those reported by the Office of Thrift Supervision (OTS). The differences are the result of several factors. For example, the OCC collects information from 9 nationally chartered banks, the OTS collects information from 5 federally chartered thrifts, and HOPE NOW collects data from 22 companies with a variety of charters and regulators. HOPE NOW members report approximately 38 million loans, substantially more than the number included in either the OCC or OTS reports. The purpose of the HOPE NOW survey is to estimate the full mortgage lending industry's effort to help homeowners avoid foreclosures. That is why HOPE NOW extrapolates its results to estimates of total industry activity. By contrast, OCC and OTS only provide data from the largest chartered institutions within their respective jurisdictions. Such differences do not invalidate the information in any one of the reports. HOPE NOW, OCC, and OTS are working to develop a more uniform reporting framework and set of data definitions so that, together, they maximize the value of the information provided to the public and policymakers.

### **Data on Hybrid ARM Resets**

We now have more data results on modifications for subprime hybrid ARMs. On December 6, the American Securitization Forum announced a plan to fast-track solutions for subprime ARM borrowers who could afford their starter rate but could not afford the reset rate. This plan has minimized foreclosures for borrowers who could afford their starter rate. With recent reductions in short-term interest rates, the threat of payment shock has become much smaller than it was in December, so far fewer homeowners need modifications to avoid unaffordable resets.

The data, reported by 9 companies representing approximately 60% of subprime loans, are as follows:

- Approximately 718,000 subprime loans were scheduled to reset between January and May 2008.
- 37,700 (5.3 percent) of these subprime loans have already been modified. Nearly 64 percent of these modifications are for 5 years or longer.
- 323,000 (45 percent) of the subprime adjustable rate loans that were originally scheduled to reset were paid in full when the homeowner refinanced the loan or sold the property.

- A limited amount – 1,800 (0.5 percent) – of the loans that were current at their date of reset have started the foreclosure process.
- Data suggests that in July 2007, 17 percent of subprime workouts were modifications, as compared to over 50 percent in May 2008. This is more evidence of the dramatic growth in the use of loan modifications to help homeowners avoid foreclosure and stay in their homes.

The number of hybrid ARMS receiving fast-track resets have been significantly affected by lower interest rates. That is good news. With short-term interest rates declining dramatically in the last few months, many homeowners are receiving new fixed rates much like the rates prior to any potential reset. These homeowners' monthly payments are holding steady and there is no payment shock. All remaining loans are still eligible for a loan by loan review.

### **Data Efforts Will Continue**

We are tracking and measuring outcomes through HOPE NOW and other efforts. In addition to the data reported here, we are measuring trends in delinquencies and resolution outcomes (i.e. reinstatement, repayment plans, modifications, short sales, deeds in lieu of foreclosure, partial claims and foreclosure). We want to provide consistent and informative data reports based on common definitions and to provide information that provides insights into the nature and extent of the current mortgage crisis that will help in the development of workable solutions that avoid foreclosure whenever possible.

As our data collection efforts continue and the data are validated, we will provide more detailed information nationally and on a state by state basis. Our participating servicers have been engaged in developing standard definitions for key loss mitigation data. The data collection effort is an enormous undertaking, which will take time to develop fully and perfectly. We are confident, however, that we will be able to deliver systematic information at the state level that will help measure what servicers are doing to resolve difficult situations and to assist homeowners.

### **3) Loss Mitigation Options / Solutions for Preventing Foreclosure**

HOPE NOW servicers are committing to assisting homeowners through various loss mitigation options consistent with investor guidelines or approvals including forbearance, repayment plan, modification, partial claim, short sale, and deed in lieu of foreclosure.

The HOPE NOW mortgage servicers recognize that it also makes good economic sense to help borrowers who are in trouble. Borrowers who are not able to stay current on their loans are very costly to the servicer, who must forward principal and interest payments to investors as well as remit taxes and insurance payments, even if borrowers are not paying them. In addition, loan servicers must expend significant staff resources to contact the borrower, assess the situation, work on repayment plans and other loss mitigation solutions, and if these efforts do not resolve the situation, initiate and manage the foreclosure process.

Informal forbearance and repayment plans are generally the first tool servicers employ to help borrowers. Servicers allow mortgage borrowers to miss a payment, with the explicit

understanding the payment(s) will be made up some time soon. If the situation is more involved than a short-term cash crunch due to temporary unemployment or illness, a servicer may turn to a special forbearance plan, which will typically combine a period of postponed or reduced payments followed by repayment of the arrearage over an extended time frame, but within the original term of the loan.

Loan modifications are the next level of loss mitigation options. A loan modification is a change in the underlying loan agreement. It might extend the term of the loan, change the interest rate, change repayment terms or make other alterations such as having a principal write down. Similarly, a servicer may attempt to refinance the delinquent borrower into a new loan. Loan modifications are one solution for borrowers who have an ability to repay a loan, and have the desire to keep their home, but may need some help in meeting this goal because the current loan terms are not sustainable for that borrower.

HOPE NOW members have worked aggressively to make all of the available tools as efficient as possible. To provide as many options as possible, HOPE NOW servicers are adopting and implementing a streamlined loan modification process consistent with the American Securitization Forum guidance dated December 6, 2007 as related to loans held in securitization trusts. In addition, for homeowners who are 90 days or greater past due and in imminent danger of losing their home to foreclosure, servicers should consider pausing the foreclosure process, when appropriate, for up to 30 days (or longer if necessary) to pursue a loss mitigation option where such an option may result in foreclosure prevention. This is illustrated by the Project Lifeline program announced by HOPE NOW members in February 2008. If rates rise going forward, there is a mechanism in place to measure and monitor streamline modifications.

#### **4) Performance Measures**

HOPE NOW servicers are committing to a variety of guidelines that will greatly enhance the process used to assist the borrower. These timelines represent a powerful commitment on behalf of servicers to respond and reach out to borrowers and third party housing counselors in a timely manner. This is in direct response to requests from borrowers on the status of their loans that are being reviewed for options to avoid foreclosure.

HOPE NOW servicers commit to respond to a request from a homeowner or authorized third party housing counselor seeking consideration or application for a loss mitigation option within five business days or less from receipt of request. In a timely and appropriate manner, servicers shall provide homeowners an outline of key elements of the loss mitigation request evaluation process. For loans pending loss mitigation review, servicers agree to communicate with the homeowner explaining the status of the review process if there has been no communication during the prior 30 days.

All loss mitigation decisions will be based on affordability. Member Servicers should conduct an affordability analysis to determine what type of loss mitigation solution would result in a monthly payment that would be sustainable for the homeowner.

Finally, HOPE NOW servicers agree to advise the homeowner, and if applicable, the authorized third party housing counselor, of their approval or denial for most loss mitigation options within 45 days from receipt of the application and required documentation.

### **5) Subordination of Second Liens**

Subject to applicable servicing agreement limitations, HOPE NOW servicers servicing second liens should re-subordinate their loans with respect to an existing first lien where the second lien holder's position is not worsened as a result of a refinance or loan modification.

The guidelines are designed to attempt to ensure that no homeowner loses the opportunity to keep his or her home, when the homeowner experiences financial hardship; the homeowner has applied for and submitted information necessary to be considered and potentially approved for a loss mitigation option; and the homeowner has the basic financial ability to afford their home.

### **Conclusion**

The HOPE NOW Alliance and those working with it are committed to enhanced and on-going efforts to contact at-risk homeowners and to offer workable solutions. Our top priority is to keep people in their homes and to avoid foreclosures whenever possible. As I reported today, close to 1.7 million homeowners were helped through modifications or work-outs since July 2007 and the rate of loan modifications continues to increase. We are working to help many more at-risk homeowners.

We continue to need the active involvement of all Members of Congress and other leaders to alert constituents that help is available when they contact either their lender/servicers or a non-profit counselor through the Homeowner's HOPE Hotline, 888-995-HOPE.

The HOPE NOW Alliance will continue its work until the problems in the housing and mortgage markets abate. My testimony today includes results that show a significant increase in the number of homeowners who have been helped. It is not a perfect solution, but it is very significant that over a million homeowners have been helped to avoid foreclosure.

We understand this effort must continue and be expanded and we will provide updates on our progress to Congress and other concerned policymakers in the coming weeks and months.

We want to work with the Committee to ensure that homeowners are aware of and can take advantage of the assistance offered by HOPE NOW. Thank you for this opportunity to share this information on our efforts with the Committee.

### HOPE NOW Membership

#### **Counselors**

- ACORN Housing Corporation
- Catholic Charities USA
- Citizens' Housing and Planning Association, Inc.
- Consumer Credit Counseling Service of Atlanta
- HomeFree- USA
- Homeownership Preservation Foundation
- Housing Partnership Network
- Mission of Peace
- Mississippi Homebuyer Education Center- Initiative
- Mon Valley Initiative
- Money Management International, Inc.
- National Association of Real Estate Brokers- Investment Division, Inc.
- National Community Reinvestment Coalition
- National Council of La Raza
- National Credit Union Foundation
- National Foundation for Credit Counseling, Inc.
- National Urban League
- NeighborWorks America
- Rural Community Assistance Co.
- Structured Employment Economic Development Co.
- West Tennessee Legal Services, Inc.

#### **Servicers/Lenders/Mortgage Market Participants**

- American Home Loan Servicing, Inc.
- Assurant, Inc.
- Aurora Loan Services
- Bank of America
- Carrington Mortgage Services
- Chase
- Citigroup, Inc.
- Countrywide Financial Corporation

- EMC Mortgage Corporation
- Fannie Mae
- First Horizon Home Loans and First Tennessee Home Loans
- Freddie Mac
- GMAC ResCap
- Home Loan Services, Inc. (d/b/a First Franklin Loan Services & NationPoint Loan Services)
- HomEq Servicing
- HSBC Finance
- IndyMac Federal Bank
- LandAmerica Financial Group, Inc./LoanCare Servicing Center
- Litton Loan Servicing
- MERS
- National City Mortgage Corporation
- Nationstar Mortgage, LLC.
- Ocwen Loan Servicing, LLC.
- PMI Mortgage Insurance Co.
- Saxon Mortgage Services
- Select Portfolio Servicing, Inc.
- State Farm Insurance Companies
- SunTrust Mortgage, Inc.
- Washington Mutual, Inc.
- Wells Fargo & Company
- Wilshire Credit Corporation

#### **Trade Associations**

- American Bankers Association
- American Financial Services Association
- American Securitization Forum
- Consumer Bankers Association
- Consumer Mortgage Coalition
- The Financial Services Roundtable
- The Housing Policy Council
- Mortgage Bankers Association
- Securities Industry and Financial Markets Association

**HOPE NOW**  
**Mortgage Servicing Guidelines**  
**June 9, 2008**

## **HOPE NOW Participation**

Servicers that participate as active members of the HOPE NOW alliance are expected to and should support the following activities and principles, subject to their contractual, fiduciary and legal obligations with loan owners, master servicers, mortgage insurers and others. Nothing herein shall constitute an agreement enforceable against any Member Servicer, and there shall be no third party beneficiaries hereof.

### **Communication / Outreach**

Member Servicers should send HOPE NOW outreach letters (on a monthly basis) using agreed upon criteria in accordance with the November 30, 2007 HOPE NOW criteria to troubled homeowners 60 days or greater past due, informing them of the option to seek counseling through a non profit agency (888-995-HOPE) and/or to contact their respective Member Servicer via a dedicated toll free number, to engage in a potential loss mitigation solution.

Member Servicers should attempt to contact homeowners with subprime adjustable rate mortgages (ARM) and other homeowners with ARMs that have a probable risk of default 120 days in advance of reset.

Member Servicers should participate in HOPE NOW sponsored local, state or regional 'face to face' events, based on market presence and size of loan portfolio, to offer loss mitigation options to distressed or troubled homeowners. Member Servicers with sizable market portfolios, who are not present or sufficiently staffed, should offer phone bank solutions and other communication innovations for homeowners to ensure reasonable wait times.

Member Servicers agree to establish toll free hotlines, fax, and, subject to reasonable confidentiality encryption systems, email as direct ports of entry available to all HUD-certified housing counseling agencies and their counselors.

Member Servicers should strive to maintain appropriate levels of staffing and other resources to accommodate reasonably anticipated volumes of inbound calls and loss mitigation requests from homeowners and authorized third party housing counseling agencies so that each Member Servicer's self-determined abandonment rate is less than 5%.

### **Reporting**

Member Servicers agree to track and report on performance (to a designated data aggregator) for the purposes of gauging industry progress towards reducing foreclosure volume and increasing loss mitigation options to distressed homeowners. Member Servicers remain committed

to this process subject to appropriate confidentiality agreements being in place.

### **Loss Mitigation Options / Solutions for Preventing Foreclosure**

Member Servicers should adopt and implement a streamlined loan modification process consistent with the American Securitization Forum (ASF) guidance dated December 6, 2007 as related to loans held in securitization trusts.

Upon contact with homeowners who are 90 days or greater past due, and in imminent danger of losing their home to foreclosure, Member Servicers should consider pausing the foreclosure process, when appropriate, for up to 30 days (or longer if necessary) to pursue a loss mitigation option where such an option may result in foreclosure prevention. An example of this pause process is the Project Lifeline program announced by HOPE NOW members in February, 2008.

Member Servicers should engage in the use of various loss mitigation options consistent with investor guidelines or approvals, or accepted servicing practices that may include:

Forbearance – A temporary agreement which allows the homeowner to make partial or no payments for a period of time. The forbearance agreement is followed by a further evaluation of the loan and the homeowner's circumstances to identify if there are any permanent workout options (i.e., repayment plan or modification). A forbearance agreement is commonly used when the homeowner is willing to pay, but is unable to do so because of a temporary and finite hardship.

(2) Repayment Plan - A verbal or written agreement where a delinquent homeowner resumes making regular monthly payments in addition to a portion of the past due payments to reinstate the loan to current status. If the homeowner is in bankruptcy, a repayment plan must be approved by the court.

(3) Modification – A written change to the terms of a homeowner's mortgage to restructure monthly payments temporarily or permanently involving one or more of the following:

- (i) reducing the interest rate temporarily or permanently;

- (ii) on ARM loans, fixing the interest rate temporarily or permanently;
  - (iii) extending the term of the loan;
  - (iv) deferring past due amounts;
  - (v) capitalizing past due amounts;
  - (vi) deferring principal causing a balloon payment to be due at maturity or some other date;
  - (vii) conditionally forgiving a portion of the debt; and
  - (viii) forgiving a portion of the debt.
- (4) Partial Claim -
- (i) HUD Partial Claim – A second mortgage, interest free, that is paid off at the time homeowner’s loan is paid off. This option allows up to 12 months of past due accrued mortgage payments to be included in the second mortgage. Available on FHA loans only.
  - (ii) Advance Claim – A loan provided by primary mortgage insurers to bring an insured homeowner’s mortgage current. The homeowner is obligated to repay this “advance claim” loan to the primary mortgage insurer directly or through the insurer’s designated servicer. In some instances, the mortgage insurer may not require repayment of advances.
  - (iii) Fannie Mae HomeSaver Advance -- A low interest rate loan provided by the first lien loan servicer to bring current a homeowner’s delinquent first lien loan. The loan is repaid over a 15 year term, with payment and interest accrual deferral during the first six months after the advance. Available only on most Fannie Mae-owned loans.

Short Sale – The Member Servicer or investor accommodates the homeowner’s sale of the property for less than the amount owed. Commonly used when a

homeowner is experiencing a hardship and he or she obtains a bonafide and reasonably timed offer for current fair market value. Member Servicers may suspend foreclosure action for a reasonable period of time to allow the homeowner to review and close an approved transaction

Deed in Lieu of Foreclosure – The transfer of title to the property from the homeowner to the servicer as an alternative to foreclosure. Commonly used after a homeowner has attempted to sell his or her property for fair market value for a period of time. Title must be clear and property must be in good condition.

### **Performance Measures**

Member Servicers should transmit an acknowledgement of a request from a homeowner or authorized third party housing counselor seeking consideration or application for a loss mitigation option within 5 business days or less from receipt of request.

Either in the initial acknowledgement or through other timely and appropriate means, Member Servicers should provide homeowners, and if applicable, the authorized third party housing counselor, an outline of key elements of the loss mitigation request evaluation process including, as appropriate, the following:

The information that the homeowner may be asked to provide to facilitate evaluation of the loss mitigation request;

The third party approvals that could potentially be required in order to complete certain types of loss mitigation options;

A notification that during the loss mitigation evaluation process, the homeowner may continue to receive collection letters or notices from retained foreclosure attorneys or other representatives in the homeowner's state of residence;

A notification that the foreclosure process may still proceed during the period in which the loss mitigation option is being evaluated, but that the homeowner should continue to work with the Member Servicer to explore the requested loss mitigation option.

See attached exhibit A, sample communication.

For loans pending loss mitigation review, Member Servicers should communicate with the homeowner explaining the status of the review process if Member Servicers have not otherwise communicated with the

homeowner during the prior 30 days. Status letters, emails or calls should communicate the current stage of the process to the homeowner.

Member Servicers should advise the homeowner, and if applicable, the authorized third party housing counselor, of their approval or denial for most loss mitigation options within 45 days from receipt of the application and required documentation from the homeowner and necessary third parties as described in exhibit B. Required documentation may include, without limitation, financial statements, tax returns, pay stubs, pay verifications, appraisals, and third party consents. Denials for loss mitigation to the homeowner should include a reason for denial.

Loans receiving loss mitigation approval should provide for affordability. Member Servicers should conduct an affordability analysis to determine what type of loss mitigation solution would result in a monthly payment that would be sustainable for the homeowner.

The affordability analysis should first consider the total monthly housing expense of the homeowner relative to income and whether an affordable monthly payment can be achieved to provide a reasonable amount of residual income for routine living expenses. Total current monthly obligations for non-housing debt (e.g., credit cards, auto loans) should also be reviewed. To the extent non-housing debt, when combined with the modified monthly housing expense, results in an unacceptable ratio of total debt relative to income, the homeowner will be required to make reasonable adjustments to non-housing expenses to qualify for a loan modification.

Member Servicers should monitor their loss mitigation inventory:

- to facilitate the application process of all required documentation requested by the Member Servicers;

- to prioritize and close applications for loss mitigation within the allotted time period specified by Member Servicers; and

- where necessary, withdraw loss mitigation considerations and loss mitigation offers if the homeowner does not provide necessary responses within reasonable time periods specified by the Member Servicer.

### **Subordination of Second Liens:**

Subject to applicable servicing agreement limitations, Member Servicers servicing second liens should re-subordinate their loans with respect to an existing first lien where the second lien holder's position is not worsened as a result of a refinance or loan modification. "Not worsened" should be understood to include the following transactions:

**a) A refinancing where the new loan does not increase the first lien principal amount by more than reasonable closing costs and arrearages, and no cash is extracted by the homeowner.**

**b) A loan modification that lowers or maintains the monthly payment of the first lien via a term extension, rate reduction and/or principal write-down, and no cash is extracted by the homeowner.**

Most securitization servicing agreements, however, will not permit subordination under a) and b) above if:

(1) The resulting combined loan-to-value ratio of the new or revised mortgage loan is higher than the combined loan-to-value ratio prior to such transaction;

(2) The interest rate on the new or revised loan is more than 2% (or other limitation specified by the servicing contract) higher than the existing interest rate; or

(3) The new or revised loan is subject to negative amortization.

The aforementioned guidelines are designed to attempt to ensure that no homeowner loses the opportunity to keep his or her home, when

- the homeowner experiences financial hardship;
- the homeowner has applied for and submitted information necessary to be considered and potentially approved for a loss mitigation option; and
- the homeowner has the basic financial ability to afford his or her home.

These loss mitigation options offer balanced mortgage solutions that are affordable payment alternatives and in the best interest of the homeowner and the investor. Member Servicers should engage in these measures through teams of trained servicing staff which provide timely and professional responses to their customers.

Exhibit A  
(Sample 1)

John Doe  
123 Street  
Anywhere, USA

Dear Homeowner,

Congratulations! You have taken the first step necessary to save your home. Our records show you have applied for assistance with your monthly mortgage payments. We are here to help you review your personal financial situation to determine if a loan modification could provide the long term-sustainable solution you need to make your monthly mortgage payments. A loan modification helps you by extending the term of the loan and/or adjusting the interest rate to reduce the monthly payment due.

We know how important your home is to you, and that's why it is important to quickly find a solution. We ask that you work with us in providing the necessary documentation and that you fully understand the step-by-step process. Provided below are the steps and actions required to expedite the process.

Step 1 – Getting started – begins with requested documents. Once we receive the documentation requested (see below) you can expect to receive a final decision within 30 to 45 days.

This is the most important part of the process – because we can't begin the process of helping you without the documents and information necessary. The documents required are checked below:

- Proof of income: This could include W2's, pay stubs, or bank statements
- Hardship letter (including what happened that made you fall behind)
- Monthly Expenses
  - Utilities – heating, phone, gas/electric
  - Food expenses
  - Other debt – credit cards, personal loans, car payment, other mortgages
  - Medical expenses
  - Insurance

We ask that you immediately forward copies of the documentation requested above to the following:  
Attention of: XXXXX

Address: XXXXX  
Address: XXXXX

### Step 2 – We have the documents, now what?

We will review the information you submitted, and, if necessary, contact you to discuss any questions or clarifications needed. The total time to process information and review your application can take up to 45 days.

**IMPORTANT:** We want you to know that during the time your application is in review you will still receive letters and/or calls asking for your delinquent payments – this is normal. You should be aware that while you are applying for assistance, your loan is still considered late or past due and reported to credit bureaus as delinquent. This is why it is so important for you to provide the necessary documentation and answers needed as quickly as possible.

### Step 3 – Completing your application...

If your request is approved a final modification document will be mailed to you for your signature. The letter will detail the following:

- Terms of the modification
- The next payment date
- The new payment amount
- Any contribution required from the borrower (where applicable)

Please read the terms of the modification carefully and sign and return the agreement. Remember, we can't offer you a new payment amount until you've signed and returned the agreement.

We're here to help you so call us at anytime during the process if you have any questions. Remember, this is an easy process that starts and ends with you! Make sure you send your documents in on time and return any agreement right away so the modification can be completed.

Thank You!

Susie Smith  
Loss Mit Rep

1-800-123-4567

Exhibit A  
(Sample 2)

John Homeowner  
123 Street  
Anywhere, USA

Dear Homeowner,

We are pleased you have contacted us requesting assistance on your loan. While we cannot promise you assistance, we hope to find a solution that will help you, while still protecting the interests of the owner of the loan.

Following is the process that we intend to follow to consider your request.

*Step 1 - We need you to provide us with the following documents. You should send us all of these documents at one time to the following address:*

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***[Insert documents required by each servicer]***

- Proof of income: This could include current W2's, pay stubs, or bank statements.
- An explanation of the reason for your request for assistance. If you can provide documentation of this reason, please send that as well.
- The period of time you believe you will not be able to make your regular monthly payments.
- Completed financial statement which is enclosed ***[OR A list of your monthly expenses:]***
  - Utilities – heating, phone, gas/electric
  - Food
  - Car payment
  - Additional mortgages or other secured debt
  - Unsecured debt – credit cards and personal loans
  - Medical expenses
  - Insurance (i.e., medical, life, auto, homeowners/renters)
  - Transportation expenses (i.e., gasoline, mass transit)

We must receive ALL of this information before we can proceed with the next step. If we do not receive all of this information within 35 days from the date of this letter, we will remove your request from our process, and you then will have to start the whole process over again.

*Step 2 - Review/Analysis*

We will review the information you submitted. When necessary, we will obtain property appraisals, discuss the terms of a proposal with investors or mortgage insurance companies that have an interest in your mortgage, and obtain other third party documents. This may take \_\_\_\_ to \_\_\_\_ additional days.

*Step 3 - Approval/Denial*

After we obtain all information from you and the third parties, we will make a decision as to whether we are able to provide you with assistance. We hope to advise you of our decision within 45 days AFTER we receive all of your information and the information from the third parties. We will tell you whether or not we can propose a solution and if so, the terms of our proposal.

*Step 4 - Execution*

If our proposal requires you to sign new documents, we will send you the documents and request that you sign and return them with any payment required within a specified number of days. If you do not return the documents and payment by that date, our proposal will be void, and you will need to re-start the entire process again.

Please be aware that we are continuing our efforts to collect the amounts owing on your loan. Therefore, unless we have previously refused your payments, you should continue to make your monthly payments when they become due. You likely will continue to receive collection letters or notices from us or our attorneys. In addition, we may commence a foreclosure proceeding against the property that secures this loan. If we already have commenced a foreclosure proceeding, this proceeding will not be postponed unless we advise you in writing of such postponement.

Therefore, we urge you to send us all of the documents described above as soon as possible.

Very truly yours,

Exhibit B

SAMPLE LETTER TO HOMEOWNER FOR  
STATUS OF DEFAULT RESOLUTION

Dear Homeowner,

We are reviewing your request for assistance regarding your loan.

***INSERT IF MORE DATA REQUIRED (Choose those which are applicable):***

We still need you to provide the following documents:  
(List Documents)

We encourage you to provide these documents as soon as possible. If we do not receive these documents within \_\_\_\_ days from the date of this letter, we will remove your request from our process and you will need to start the process over if you want assistance.

We are waiting for third parties to provide us with additional information or consents.

Until we receive this information we are not able to make a decision regarding your request. Accordingly, please be aware that we are continuing our efforts to collect the amounts owed on your loan. You therefore may continue to receive collection letters or notices from us or our attorneys. In addition, we may commence a foreclosure proceeding against the property that secures this loan. If we already have commenced a foreclosure proceeding, this proceeding will not be postponed unless we advise you in writing of such postponement.

***INSERT IF ALL DATA RECEIVED.***

We have received all information that we believe we need at this time and we hope to make a decision within 45 days from the date we received all of the information. If we determine that we will need more information we will contact you. If you have not heard from us within the next 30 days please give us a call at the number below and refer to this letter.

**[CHOOSE APPLICABLE PARAGRAPH:]**

Please be aware that we are continuing our efforts to collect the amounts owed on your loan. You therefore may continue to receive collection letters or notices from us or our attorneys. In addition, we may commence a foreclosure proceeding against the property that secures this loan. If we already have commenced a foreclosure proceeding, this proceeding will not be postponed unless we advise you in writing of such postponement.

During this period you may continue to receive collection letters or notices from us or our attorneys. You may disregard those letters and notices. In addition, we have decided to postpone any foreclosure sale date on your property until \_\_\_\_\_(or do not provide date and explain that a new notice of the foreclosure sale date will be sent to them). Therefore, if we have not completed a new agreement by that date we will proceed with the sale of the property on that date.

Very truly yours,

# Foreclosure Prevention Timeline

	Segment 1	Segment 2		Segment 3
	Customer Responsibility	Servicer Responsibility		Customer Responsibility
	Intake	Review / Analysis	Approval / Denial	Execution
<b>Process</b>	<p>At the time of delinquency or when default is imminent communication between the servicer and borrower is initiated. During this initial conversation the following information is gathered:</p> <ul style="list-style-type: none"> <li>• Proof of income: This could include W2's, pay stubs, or bank statements</li> <li>• Reason for default</li> <li>• Monthly expenses:</li> <li>• Utilities – heating, phone, gas/electric</li> <li>• Food</li> <li>• Unsecured debt – credit cards, personal loans, car payment, additional mortgages</li> <li>• Medical expenses</li> <li>• Insurance</li> </ul>	<p>The file is reviewed internally and approval or additional data is sought from:</p> <ul style="list-style-type: none"> <li>• GSE's</li> <li>• Mortgage Insurers</li> <li>• Investors</li> <li>• Trust Funds</li> <li>• Appraisers</li> </ul>	<p>Once approval is obtained for the modification a letter is sent to the borrower that includes the following information:</p> <ul style="list-style-type: none"> <li>• Terms of the proposal modification</li> <li>• Next payment due date</li> <li>• The new payment amount</li> <li>• Any contribution required from the borrower where applicable</li> </ul>	<p>Once a signed / executed modification agreement is received by the servicer it processes the documents, and notifies the investor of the modification, and the loan is reinstated.</p>
<b>Running Time</b>		30 – 45 days		
<b>Customer Experience</b>	<p>At the first sign of default or trouble in paying your mortgage, you are encouraged to call your servicer. During this phone call your servicer will gather information regarding monthly income and expenses. It is a good idea to have this information on hand when the phone call is made. Some documents to assist in this would be: bank statements, pay stubs, W2's, utility bills, credit card statements, etc. It is critical that all requested documents be submitted to the servicer as quickly as possible to make this process go smoothly.</p>	<p>Your servicer will review the information you submitted, and, when necessary, discuss the terms of a proposal with investors or mortgage insurance companies that have an interest in your mortgage and obtain additional data from third parties. The combined process of information gathering and review can take up to 60 days. The combined process of information gathering and review can take up to 60-75 days or more as it is dependent on you providing the servicer with all necessary information and the servicer obtaining additional information from third parties.</p>	<p>If you qualify for a modification, your servicer will receive approval from the necessary parties and modify the terms of the loan. Once this process is completed, a letter will be sent to you. This letter will include all the terms of the modification, the next payment date, the new payment amount, and notify you if any contribution is needed.</p>	<p>Congratulations! You have successfully completed the loss mitigation modification process. Please remember, should your circumstances change and you need additional assistance you should call your servicer.</p>

Servicers should advise the homeowner of its approval or denial for most loss mitigation options within 45 days from receipt of the required documentation from the homeowner and third parties.



## HOPE NOW 2008 Homeownership Preservation Workshops

### What are Homeowners Saying?

The HOPE NOW Alliance has received positive feedback from numerous borrowers who've attended and met with their mortgage servicer and local counseling organizations. Though HOPE NOW has hundreds of comments from borrowers across the country, attached below are a few from real borrowers who've found these homeownership preservation workshops beneficial.

- We just saved \$538.00 just by participating today to assist us with making our mortgage current.  
- **Sharron, Philadelphia**
- We received a reduction in our payment and were not meant to feel belittled or intimidated.  
- **Karen, Philadelphia**
- We appreciated the opportunity to speak to the lender face to face. - **Ryan, Philadelphia**
- Extremely knowledgeable, suggested things we hadn't heard of. - **Rachell, Philadelphia**
- I am breathing a little easier and I thank each and every one of you! - **Sally, Columbus**
- Having someone from the lender here made all the difference. - **Shawn, Columbus**
- It was fully staffed. Everyone was very helpful. - **Pauline, Atlanta**
- This was a great program for the community. People could receive information and understanding about mortgages and correct their situation and find a way to keep their home. Great event!  
- **Fronita, Atlanta**
- Nice selection of lenders and a good quantity of counselors. - **Jennifer, California**
- The non-profit counselors were very friendly and helpful in setting up takes with the bank representatives. The system was understandable and organized. **Kristle, California**
- I'm just sending you this e-mail to let you know I REALLY, REALLY, appreciate what you have done for our family I honestly thought that we wasn't going to get anything accomplished. But you have made me a true believer and I can't thank you enough for what you have done for our family. You are a true BLESSING. May GOD CONTINUE to BLESS you and YOUR FAMILY as you have done ours. - **Robert, Milwaukee**
- This relieves me of the stress on me to know that after working to have a home that some one cares that I may be able to keep it during hard times. -**Marilyn, Dallas**
- I'm glad that options are available to help people stay in their homes. -**Tim, Dallas**
- My loan counselor was great, good knowledge and explained all the options to us and were able to work out a solution. -**Rodolfo, Las Vegas**
- This amazing event really enlightened me. I saw the number of people attending and I suddenly realized that I was not alone...-**Denise, Las Vegas**

**HOPE NOW Alliance  
2008 Homeownership Preservation Forum  
July-December**

More borrowers will obtain assistance as we continue our efforts. The Alliance has an assertive schedule targeting approximately 21 local markets in the fall and winter of 2008. The Alliance is also exploring new innovative ways to reach larger numbers of borrowers that require less resources from Alliance partners and more flexible for borrowers to access assistance. Attached below is a list of workshops planned throughout the remainder of 2008.

Month	Date	Type of Event	Status	City	State
July	25	Face	Firm	Newark	NJ
	26	Face	Firm	Mt. Laurel	NJ
August	12	Face	Firm	Boston	MA
	21	Face	In progress	Orlando	FL
	22	Face	In progress	Fort Myers, Naples and Sarasota	FL
	23	Face	In progress	Fort Lauderdale and Miami	FL
Sept	4	Phone	Not Started	Toledo	OH
	13	Face	Firm	Fairfax County	VA
	20	Face	Firm	Prince Georges County	MD
Oct	2	Face	Not Started	Pima County	AZ
	15	Phone	Not Started	Stockton	CA
	23	Face	Not Started	Detroit	MI
Nov	1	Face	Not Started	Los Angeles	CA
	6	Face	Not Started	Cleveland	OH
	15	Face	Not Started	Houston	TX
Dec	4	Face	Not Started	Denver	CO
	13	Face	Not Started	Sacramento	CA
	18	Phone	Not Started	Tulsa	OK

For more information on Homeownership Preservation Workshops, contact Larry Gilmore at (202) 589-2444.

HOMEOWNER'S HOPE  
HOTLINE:

**888-995-HOPE**



## Servicer Contact Numbers for Homeowners

Below are the customer contact telephone numbers of HOPE NOW servicer members. If you are a homeowner having trouble with your mortgage, please call your servicer's hotline for assistance (please have your account number ready when calling).

If you would like to talk to a HUD-approved homeownership counselor, please call the Homeowner's HOPE Hotline, 888-995-HOPE, operated by the Homeownership Preservation Foundation. **Free** counseling is available 24 hours a day, 7 days a week. You can also visit [www.995hope.com](http://www.995hope.com) for more assistance.

<b><u>Servicer</u></b>	<b><u>Hotline</u></b>
American Home Mortgage Servicing (formerly Option One Mortgage Corporation)	888-275-2648
Acqura Loan Services	866-660-5804
Aurora Loan Services	800-550-0509
Bank of America	800-846-2222
Carrington Mortgage Services	800-790-9502
CitiMortgage/ Citi Residential	866-915-9417
Countrywide Home Loans	800-669-6650
EMC Mortgage, Inc.	877-362-6631
First Horizon Home Loans	800-364-7662
GMAC/Homecomings/ResCap	800-799-9250
Home Loan Services, Inc. (d/b/a First Franklin Loan Services and NationPoint Loan Services)	800-500-5022
HomeEq Servicing	888-867-7378
HSBC Consumer Lending	800-333-5848
HSBC Mortgage Services	800-365-6730
HSBC Mortgage Corporation	888-648-3124
IndyMac Federal Bank	866-335-7273
JPMorgan Chase Prime Loans	800-446-8939
JPMorgan Chase Non-Prime	877-838-1882
JPMorgan Chase Home Equity	866-582-5208
LandAmerica Lender Services	800-909-9525 or 800-274-6600
Litton Loan Servicing	800-999-8501
National City Mortgage Corporation	800-523-8654

**Servicer**

Nationstar Mortgage, LLC.  
Ocwen Loan Servicing, LLC.  
Saxon Mortgage Services  
Select Portfolio Servicing  
SunTrust Mortgage, Inc.  
Washington Mutual, Inc.  
Wells Fargo Home Mortgage  
Wells Fargo Financial  
Wilshire Credit Corporation

**Hotline**

888-480-2432  
877-596-8580  
888-325-3502  
800-258-8602  
800-443-1032  
866-926-8937  
877-216-8448  
800-275-9254  
888-917-1050