



Statement of Faith Schwartz

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Before the

Financial Services Committee

Subcommittee on Insurance, Housing and Community Opportunity

Hearing on

“Government Barriers to the Housing Recovery”

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Introduction

Chairwoman Biggert and Members of the Subcommittee, thank you for the opportunity to testify before you today. I am Faith Schwartz, Executive Director of the HOPE NOW Alliance. I have served in a leadership capacity at HOPE NOW since 2007, in which I have worked closely with mortgage servicers, non-profit housing counseling partners, government agencies and regulators to help homeowners avoid foreclosure. I also co-founded HOPE LoanPort™, a separate non-profit entity, of which I am a board member and a senior advisor. HOPE LoanPort™ is a web-based utility to improve communication among homeowners, housing counselors and servicers. HOPE Loan Port makes it possible for homeowners working with counselors to securely submit all required data and documentation necessary to enable loan servicers to make a decision on loan modifications or other workouts in a timely manner.

The comments I plan to make today are my own and reflect my breadth of experience on housing related issues. Additionally, these comments do not necessarily represent the views of all HOPE NOW members.

Today I will review a brief history of HOPE NOW, the state of foreclosure prevention efforts and what has changed in course of government and non-government interventions to prevent foreclosures. There have been new programs and tools intended to increase foreclosure prevention efforts introduced over the past three years. I will attempt to highlight some of them and the progress that has been made in assisting homeowners avoid foreclosure. Some of these efforts have also contributed to longer timelines associated with the foreclosure process. This information should assist you as you think about the important issue of bringing private capital back to the market. Loan servicing is a critical component of this process as we move forward in the areas of consumer and investor confidence.

Foreclosure Prevention: 2007 to present

Today there are nearly three million Americans at least 60 days or more delinquent on their mortgage, and millions more who are still feeling the repercussions of a significant slide in housing prices. Studies and experience has shown that one of two homeowners going to foreclosure never contact their loan servicer in order to find out if an alternative to foreclosure is available. Some may desire to move on and others may not realize there are many effective tools that may assist them to avoid foreclosure.

HOPE NOW

Established in 2007, HOPE NOW is a voluntary, private sector, industry-led alliance of mortgage servicers, non-profit HUD-approved housing counselors and other mortgage market participants focused on finding viable alternatives to foreclosure. HOPE NOW's primary focus is a nationwide outreach program that includes 1) over five million letters to non-contact borrowers, 2) regional homeownership preservation outreach events offering struggling homeowners face to face meetings with their mortgage servicer or a counselor, 3) support for the national Homeowner's HOPE™ Hotline, 888-995-HOPE™, 4) Directing homeowners to free resources through our website at www.HOPENOW.com and 5) Directing borrowers to free resources such as HOPE LoanPort™, the new web-based portal for submitting loan modification applications.

In addition, HOPE NOW also collects data on almost 40 million first lien loans, from all participating servicers, on loan workout solutions; and has publically reported these results on a monthly basis since 2007.

Summary of 2010 data results: In 2010, mortgage servicers completed 1.76 million permanent loan modifications for homeowners. 1.24 million were completed through proprietary programs and 512,000 permanent HAMP modifications. This compares to just over 1 million foreclosure sales in 2010. Since HOPE NOW began reporting data in the third quarter of 2007, the industry has completed over 3.5 million proprietary modifications and roughly 580,000 HAMP modifications - for a total of more than 4 million permanent loan modifications for American homeowners.

HOPE NOW Outreach

The HOPE NOW outreach events are broad partnerships that include Making Home Affordable, NeighborWorks® America, Federal Reserve Banks, The GSEs, local task forces and hundreds of volunteers who care deeply about their communities. The homeowner outreach events were first initiated by the industry in early 2008 and since then they have been expanded to include these vital partners.

HOPE NOW has hosted over 100 in-person outreach events across the country since 2008. These events have enabled more than 85,000 families to meet with servicers and counselors to work face-to-face on foreclosure prevention solutions. It is important to note the significant personnel and resource dedication that mortgage servicers, counselors and partners have made to HOPE NOW events and other outreach events. Outreach events are held throughout the year and there are many individuals that work seven days a week to work with distressed homeowners who want to stay in their home.

Here are some of the comments from homeowners who have attended HOPE NOW events over the past three years:

“I’m really glad I took the time to come here today to talk to Bank of America. I worked with a wonderful person on-site and I am happy to say that we were pre-qualified for a Home Affordable Modification today.” – Leslie, Mechanicsville, VA

“It was important for me to sit face to face with someone and go over my situation. I recently started a new job so I wanted to make sure all of the documents for my trial modification were in order. It turns out that the bank just needs my hardship letter to complete the application, but I feel good about my prospects for getting a loan modification. I’m really glad I took the time to come to this event.” –Judi, Las Vegas, NV

“We were ready to walk away from our home if we weren’t able to reach a solution today. I spent all day here, but it ended far better than I had anticipated – and was well worth the trip. I was able to reach an agreement with Wells Fargo that reduced my loan by almost \$500 a month. I am taking away nothing but positives from this event and I now have some peace of mind.” – Bob, Mesa, AZ

What have we learned? Since initiating the homeowner outreach events, we have been tracking participating homeowner satisfaction in order to gauge our success and adjust the outreach model accordingly.

From the beginning, nearly two-thirds of all borrowers in attendance say they would recommend the outreach events and over half rate the workshops experience as excellent. Surprisingly, we continue to find that for 35-40% of participating homeowners, these events are the first meaningful contact they have had with their loan servicers. We have also seen a change in the circumstances of at-risk homeowners over the last two years. Now up to 30% of borrowers who attend are unemployed. Unemployment significantly affects the type of aid available and highlights the obvious challenges we face in this housing crisis.

To improve the ability of servicers to provide decisions to borrowers at the events, we have put document scanners onsite and made other technology improvements. Borrowers now routinely bring better documentation to the in-person events which helps produce a more accurate discussion of their situation and possible solutions. Please review the addendum to see the latest survey data from our Las Vegas event in January 2011.

Free counseling to borrowers: Objective third party counseling for homeowners is also a vital part of the effort. HOPE NOW supports the Homeowner's HOPE™ Hotline, 888-995-HOPE™, which is managed by the non-profit Homeownership Preservation Foundation, and operates 24 hours a day, 7 days a week in several languages. The hotline 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 since inception and it serves as the nation's "go-to" hotline for homeowners at risk.

The US Government uses this hotline for their Making Home Affordable program and noted in its December 2010 report that 1.8 million calls have been fielded by the hotline to date, and more than 900,000 borrowers have received housing counseling assistance.

We urge investors, GSEs, lenders and the government to continue support and maintain this vital hotline and its network of qualified housing counselors who continue to support at-risk homeowners through the housing crisis.

HOPE LoanPort™

HOPE LoanPort™ (HLP) is a much needed addition to improve efficiency and effectiveness of communications among borrowers, counselors, investors and mortgage servicers. HLP is an independent non-profit entity that was developed through cooperative work by members of the HOPE NOW Alliance. A group of companies and housing counselors worked with HOPE NOW, and our vendor IndiSoft, to create a web tool that met the needs of all parties working to avoid foreclosures. HLP was created to help address the frustration among borrowers, policymakers, counselors and servicers in the document submission process.

- HOPE LoanPort™'s web-based system allows a uniform intake of an application for a loss mitigation solution through HAMP, all Federal programs as well as proprietary home retention programs. It allows for all stakeholders to see the same information, in a secure manner, and delivers a completed loan package to the servicer for action. The system is

fully operational, and is being used by 13 major mortgage servicers, representing approximately 80% of the loan market, as well as almost 500 housing counseling offices in 46 states, the District of Columbia and Puerto Rico - comprised of more than 2,100 counselors who are using this portal.

- Much of the activity on the portal has occurred in the fourth quarter of 2010.
- Of the 13,255 cases created by counselors, 8,561 cases were submitted to the loan servicer (completed applications with completed required documentation for any loan workout).
- It takes an average of 49 days for a loan servicer to approve a loan modification, which includes an average of 17 days for a counselor to submit the full package and 32 days for the servicer to make a final decision on a fully complete application.
- Nearly 700 servicing users (data from 12 active users at year end Dec, 2010) are managing the process and pipelines. This means that for every 3 counselors active on the portal; there is one servicer counselor.
- HOPE LoanPort™ has the endorsement of HUD, as well as four state housing finance agencies and one state Department of Banking.
- One of the nation's largest mortgage insurers is an active partner.

This web-based portal increases accountability, stability and security for submitted information and increases borrower confidence that their information will be reviewed and will not be lost. They can continue to work with third party housing counselors to make sure they understand the requirements and options in an effort to avoid foreclosure. Servicer and counselor steering teams, working together have made the decisions on how best to create and improve the HOPE LoanPort™ system.

This portal was designed by a core group of non-profits including NeighborWorks® America and HomeFree-USA, and six industry servicers who shared in this unique and important mission. For more information please visit www.hopeloanportal.org.

Impact of HOPE LoanPort™: HOPE LoanPort™ provides a method for housing counselors to efficiently transmit a homeowner's completed application to partner mortgage servicers to enable the servicers to make a decision on a completed application.

HOPE LoanPort™ is free to HUD-Approved housing counseling agencies and National Foreclosure Mitigation Counseling Program (NFMC) recipients. The portal has established a standardized modification application and communication process that ensures mortgage servicers and counselors receive a complete application and homeowners receive regular updates on the status of their application. This system has improved accountability, transparency and simplified a complicated system of loss mitigation that has been hampered by reliance on inefficiencies in faxes, mailed packages, phone calls and missing documents. The data collected through the system will enable mortgage servicers and insurers to work with non-profit counselors and borrowers to clear up any backlog or missing documents. This non-profit portal is funded by servicers and investors and has not received any Government funding.

What has changed from 2007 through 2011?

Subprime Crisis: When the crisis began in 2007, most of the early foreclosure prevention efforts focused on repayment plans, and some modifications, which entailed capitalizing missed payments (arrearages) and re-setting the mortgage. The HOPE NOW data indicates that in July 2007, there were 17,000 modifications completed. The primary focus was in the subprime

products; the hybrid ARMs and option ARMs which were defaulting in record numbers, many prior to the ARM reset. In 2007, The Treasury Department and the Department of Housing (HUD) reached out to industry and asked them to increase and expand collaboration with non-profits to reach more borrowers and help them avoid foreclosures wherever possible. Through HOPE NOW, more servicers set up toll-free numbers for housing counselors; HOPE NOW servicers produced servicing guidelines to improve the loss mitigation process, and worked with third parties to reach homeowners who were not responding to contact from servicers. The housing crisis deepened with the recession and we saw more widespread defaults happening across loan portfolios – economic problems spread defaults to borrowers with prime, fixed-rate loans. Servicers continued to be proactive working with housing counselors and third parties, while hiring and expanding activity around foreclosure prevention efforts.

In 2007, there were few government resources focused directly on foreclosure prevention. Mortgage servicers and others worked individually and then pulled together through HOPE NOW to meet the challenge, progress was made but the growth of the housing crisis outweighed the response. Since 2008, the Government has taken on a broader role to address the crisis.

I. New Government programs - 2008-2010

Government programs have fallen into the following categories:

- Refinance
- Unemployment Assistance
- Modification
- Short sale and deed in lieu
- Mediation (at the state level)

Some of these programs are more successful than others and it is difficult to measure the full impact of the programs. However, a combination of factors has led to record long foreclosure timelines as measured in 2010.

The average loan in delinquency that went to foreclosure in 2010 exceeded 500 plus days, up from 300 days in 2008, according to an LPS report in early 2011.

- a) **FHA HOPE for Homeowners** was an attempt to assist homeowners who might qualify to refinance to an FHA-insured loan with the participation of servicers and investors willing to write-down the existing loan. It also required the homeowner to share possible future appreciation of the property with the government. There were few loans produced through the program in part because of its complexity. Originators and servicers have not been easy to match up with regard to refinancing higher risk loans and expanding short payoffs.
- b) **Home Affordable Refinance Program (HARP) is the refinance portion of the MHA program** offered by the Fannie Mae and Freddie Mac. It is a first lien refinance program targeted to loans at 80% LTV up to 125% LTV. Essentially, it targeted borrowers who were current on their loan, but at-risk to become delinquent. From April 2009 through November 2010, FHFA reports 539,597 homeowners refinanced into this program. This is creative and an opportunity to continue reaching borrowers who could not otherwise refinance and may become future foreclosure candidates.

- c) **Making Home Affordable: HAFA** – A short sale and deed in lieu program that focuses on a detailed process for the complicated nature of a “short sale” and deed in lieu product. The effort has key timelines, document and process requirements that need to be followed and extends the timeline for loans for up to 120 days. It includes forgiveness of the deficiency when a borrower sells a property short of value and it offers clarity, accountability and clear expectations of what is required for realtors, servicers, and other stakeholders. Junior lien holders often require more dollars than HAFA supports. Recent adjustments to the program offered by Treasury suggest that this program may be used more in the future because of adjustments made to the requirements to prove hardship or stick to 31% DTI thresholds.
- d) **Making Home Affordable: HAMP** – This is the loan modification program which was rolled out to respond to the growing stress in the housing market. The crisis was deepening. By intervening with a loan modification that was subsidized by the government, it was a change from the previous attempts to modify loans, and was an important step toward creating market standards.
- **Standards:** Despite criticism for falling short of projected numbers for permanent modifications, HAMP helped create standards that improved methods and transparency on how to achieve affordable and sustainable loan modifications.
 - **Increasing Homeowner Awareness:** When the United States Government offers a potential solution to the loan modification process, the public listens. The awareness created by the HAMP program helped engage millions of at-risk homeowners in efforts to preserve their home and avoid foreclosure. The existence of the HAMP program helps attract borrowers to seek help. It is still a very valuable way for borrowers to get in the system, even if they do not qualify for a HAMP modification.
 - **First line of defense for homeowners:** The HAMP program structure requires participating servicers to first review the borrower for HAMP eligibility prior to placing them into alternative modifications. Even if they do not ultimately qualify, borrowers are first assessed for eligibility for HAMP and then must be considered for other loan modifications or other workouts.
 - **Safe Harbor:** HAMP created an industry “safe harbor” for modifying loans. Due to conflicting investor contracts, prior to HAMP it was difficult to identify a consistent “industry standard”. HAMP helped create these standards and common practices. The creation of tools to use in an evaluation “waterfall” and use of a Net Present Value test has transcended HAMP and is a model for servicers to use for proprietary modifications. This may transcend HAMP for other modifications as the process and NPV test provide an “industry standard”.
 - **Structure created:** Through Making Home Affordable, government HAMP modifications introduced clear guidance for the HAMP waterfall, including guidance for working with unemployed or underemployed borrowers- one of the most difficult situations. The protocols on structuring an affordable payment for borrowers include:
 - a. Forbearance (3-6 months) for unemployed borrowers;
 - b. 31% housing DTI split by investors and government dollars from 38%;

- c. Use of lower interest rate to 2%, extended terms to 40 years, and principal deferral and/or principal write-down;
- d. If ineligible, servicers must review for proprietary solutions (GSE, other), and if ineligible for that option;
- e. Servicers must consider HAFA (Home Affordable Foreclosure Alternatives short sale and deed in lieu) or proprietary programs;
- f. In many instances, foreclosure prevention will then state mediation requirement to review all solutions outside of foreclosure; and
- g. Foreclosure sale as the final option.

Challenges and added complexity: While HAMP did help create standards, it also has detailed and complex HAMP/HAFA documentation requirements to ensure there is no fraud in using taxpayer funds. Specific HAMP requirements were rolled out gradually and changed several times. Initially, servicers spent many months re-tooling systems to accommodate HAMP. This was slow to get off the ground and existing efforts to modify loans slowed down so that the loans would not require a second modification for loans that fit the HAMP eligibility.

- 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 and there became a significant “in process” modification segment of loans that were in limbo. For those who were getting a lower payment (often \$500 per month) this was a relief versus a final foreclosure action. For others, it may have exacerbated a situation where the failed trial modification led to overdue payments and arrearages that were difficult to make up.
- Confusion and expanded timelines were the result of this early execution of HAMP/HAFA and we still have some of that “in process” pipeline being worked through. As a note, there have been over 20 directives from HAMP and though we see that slowing down in 2011, the early implementation was delayed due to many adjustments of the programs over time.

Average foreclosure timelines in 2008, 2009 and 2010 are as follows (according to data from LPS):

- January 2008 – 300 days
- January 2009 – 350 days
- January 2010 – 450 days
- September 2010 – 500 days

- e) **Treasury: Hardest Hit Funds** - Treasury has also expanded foreclosure prevention programs by creating a Hardest Hit Fund. The Hardest Hit Fund distributed \$7.5 billion dollars to 18 States and the District of Columbia and directed them to set up their own programs to assist unemployed and other at-risk homeowners in the hardest-hit housing markets. When a borrower is unemployed, it is difficult to qualify for a loan modification due to lack of income. State housing finance agencies develop the waterfall for approving

borrowers for various means of assistance, including unemployment assistance, principle write down, and combined funds that may compliment a HAMP modification.

This deployment of dollars should be helpful to assist some homeowners in particularly distressed States where there are few other solutions. However, the states, Treasury, counselors and state housing finance agencies must continue to work with industry to achieve some uniformity to ensure servicers can implement the many variations of programs in the different states. To help share information and increase the ability to execute on these programs, HOPE NOW has played a role in convening the stakeholders to discuss implementation issues. As a reminder, loan servicers need uniform standards and guidelines wherever possible for efficient execution. Each time a program is introduced, the more aligned it is with similar programs in various states with uniform automation, the more successful that new program will be.

f) Other government involvement, state mediation programs - Mediation is a recent development and there are now approximately 26 states that offer some kind of opt-in or opt-out mediation for homeowners. The physical presence of a third party is valuable for this final attempt to bring parties together to prevent a foreclosure. When appropriate mediation is a viable option, however, there is not enough data on mediation programs to make a clear judgment around the best mediation process. For instance, an author for the *Sun Sentinel* newspaper recently reported that Broward County, Florida examined 326 cases via mediation in December 2010 and 17% resulted in written settlements that avoided foreclosure. It is important we study mediation efforts going forward and wisely use our limited funds and human capital to make these most effective nationwide, and maximize assistance to qualified homeowners.

There is a movement among the other 24 states to incorporate mediation as another means to prevent foreclosures. In doing so, we believe certain risk parameters must first be addressed. By nature, mediation hearings delay the foreclosure process. And the intent is to ensure the borrower understands the options available to prevent foreclosure. We know from experience, sometimes borrowers in financial distress do not answer phones, open mail and respond to more formal meeting requests such as State mandated mediation.

Recommendation to encourage uniformity in mediation efforts:

In an attempt to increase productivity and measure outcomes, consideration of the following may be helpful:

- Establish a uniform set of documentation and transfer of required information prior to the mediation.
- Limit on the numbers of meetings required for face to face transactions to a reasonable number.
- Ensure that mediators have proper training and/or knowledge of the mortgage industry, as loan workout solutions are complex,
- Develop definitions, quantitative standards and metrics that measure success.

HOPE NOW stands ready to support all efforts to bring homeowners into the system to review options to avoid foreclosure. However, we believe that mediation can be streamlined with more effective processes so that all parties participating have aligned expectations.

II. Proprietary Solutions/Modifications

The deterioration of the housing market and high unemployment has changed the nature of the loss mitigation effort. We now see much higher numbers of defaulted loans in the prime sector. Negative equity and unemployment have changed the face of foreclosure and the nature of the foreclosure mitigation efforts needed.

The latest 2010 data estimate is as follows:

- 2010 foreclosure starts: 2.6 million foreclosure starts (2 million prime and 600,000 subprime).
- 2010 foreclosure sales: 1.07 million.
- 2010 permanent loan modifications: 1.76 million.
 - 1.24 million proprietary loan modifications
 - 512K permanent HAMP modifications
- December 2009 delinquencies over 60 days past due: 4.1 million
- December 2010 delinquencies over 60 days past due: 2.9 million.

The quality and uniformity of proprietary modifications has improved from earlier years of freezing existing rates or capitalizing arrearage and recasting the loan. According to HOPE NOW's 2010 data estimates:

- 84% of all proprietary modifications, from June 2010 through December 2010, had an initial set rate duration of five years or greater.
- 81% percent of proprietary modifications in 2010 had a lower principal and interest payment.
 - 59% of these modifications, from June 2010 through December 2010, reduced principal and interest payments by 10% or more.
- 80% of all proprietary modifications, on average, are performing after 6 months seasoning and are less than 90 days past due. This data looks back over an 18 month period.

Considering all retention plans, workout plans, and permanent modifications, HOPE NOW servicers, and the housing industry, have assisted nearly 12.2 million families since July 2007. While some forms of support are short term (due to short term hardships) and others longer term and permanent solutions, the tools used across the industry have had a meaningful impact on foreclosure prevention for millions of families.

Impact of proprietary loan modifications: The proprietary modifications have been a work in progress pre-HAMP and post-HAMP roll out. The face of proprietary modifications has changed

due to some standards set by HAMP and the changing nature of the problem with unemployment and significant increase in defaults on prime loans.

If a borrower is qualified and there is more flexibility with the modification terms (such as documentation or DTI adjustments) then the borrower may be moved swiftly into a proprietary modification (in lieu of foreclosure).

As a reminder, proprietary modifications follow only after a loan is ineligible for a HAMP modification.

Proprietary modifications make up the majority of the total loan modification solutions being offered, providing sustainable, affordable and permanent solutions for borrowers seeking to avoid foreclosure. Additionally, there are no government funds or incentives used for proprietary modifications.

Summary and recommendation: Private Capital returning to mortgage markets

The Administration released a series of options on GSE reform which outlined three proposals that described a range of government involvement in housing. Federal regulators and State agencies are also working on various enhanced mortgage standards, including the QRM standard from Dodd Frank which identifies capital requirements for various mortgage products for new originations, securitization and mortgage servicing. All of these proposals provide new templates for investors on how the mortgage market will function moving forward.

During the past three years the mortgage industry and capital markets have faced high levels of volatility and uncertainty. Increasing foreclosures and delinquencies, record levels of homeowners at risk, who need assistance to navigate the myriad of options to avoid foreclosure, and significant Federal and State Government intervention are a few of the biggest risks facing participants. Resources to reach borrowers at risk and help them stay in their home have never been greater or more effective. However, homeowners and investors have paid a significant price. Homeowners and communities have been severely impacted, especially in the hardest hit states. Investors have experienced tremendous losses and risk models did not predict with any confidence the severity of the housing crisis or potential losses to investors.

To create a climate in which investors return to the private markets will require transparency, reliability and market integrity. Investors need confidence in both industry and government in order to participate in a meaningful market recovery. A few issues that are directly related to servicing are as follows:

- 1) **Standards and uniformity:** Whether it is State or Federal programs, uniformity across the servicing sector will be important to set expectations and reach performance benchmarks. The average time to foreclose on a property is difficult to predict and mortgage rates will be impacted by uncertainty. The more uncertainty, the higher the rates for homeowners. As foreclosure timelines continue to increase, pricing for mortgages will increase.

Per LPS data, average foreclosure timelines in 2008, 2009 and 2010:

- January 2008 – 300 days

- January 2009 – 350 days
- January 2010 – 450 days
- September 2010 – 500 days

One example of “uniform standards” that would benefit the homeowner, the market and participants is to have mediation standards that have a common set of expectations for all parties. This will have an impact on shortening timelines if expectations are identified early but hopefully improve outcomes for borrowers who have an additional option to stay in their home and avoid foreclosure. Use of an automated system to share required information among multiple parties is an example of a more efficient and timely way to communicate prior to the mediation meeting.

- 2) **Representations and Warranties:** Identifications of key roles and responsibilities for servicers, investors and homeowners remains an important distinction. Terms of contracts must be enforceable. Accountability and transparency will follow better contracts which provide needed clarity. Vague contracts, such as some private label securitization agreements lead to interpretations that may differ among parties.
- 3) **Duration, prepayment risk:** Some mortgages are bought out of pools after 90 or 120 days past due. Others are left in a pool for two years until they are foreclosed upon, leaving vastly different options for investors. Some require advances all the way through, others do not. The volatility of resulting investor cash flow projections are priced into loan rates. Certainty and uniformity help improve pricing options for mortgages.
- 4) **Credit risk:** Clearly, the return of private capital will require better clarity and data on borrower credit risk -- including risk layering of mortgages. The cost of servicing is directly related to higher default and foreclosure risk (higher touch and feel application). The price of loss mitigation needs to be assessed to ensure proper fee structures are imbedded in contracts to appropriately pay for the costs of increased servicing.
- 5) **Federal / State Regulatory, Legislative risk and Enforcement risk:** External risks such as enhanced regulation or new legislation should be taken into account. While this has always been the case, the stepped up involvement including activity by 50 state Attorney’s General, banking regulators, the Federal Reserve, and others, will be important an important component to pricing the risk of lending and servicing in the marketplace.
- 6) **Servicing performance/model:** Capacity issues have plagued the performance of servicers, large and small, across the market. Capacity is severely impacted by high volume consumer inquiries for assistance from overlapping programs. Rolling out new programs without similar uniform processes (Federal and State Governments, GSE investors) adds friction to the system. Appropriately, some of the government programs have been used to increase consumer protection by providing more options to avoid foreclosures. That said, efforts should be made to ensure strong coordination and program alignment. Simplicity where possible should replace complex procedures and processes for homeowners and servicers with clear protections in place to preserve consumer protection for homeowners.

- 7) **Government guarantee:** Investors will differentiate on loans guaranteed by the government versus those of private industry. It is important for the government to act, when possible, with one voice and more uniform processes, for loss mitigation to assist with improved execution.

Addendum:

Data Snapshot:



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

	Q1-2010	Q2-2010	Q3-2010	Q4-2010	Oct-2010	Nov-2010	Dec-10	Year to Date Total or Average
Total Completed Modifications	469,381	499,103	444,787	342,384	124,600	112,022	105,763	1,755,656
HAMP Permanent Modifications ¹	163,863	167,220	97,877	83,752	23,750	29,972	30,030	512,712
Proprietary Modifications Completed ²	305,518	331,883	346,910	258,632	100,850	82,050	75,733	1,242,944

Proprietary Modifications Completed

Reduced P&I Modifications	234,796	262,958	294,190	215,339	84,692	68,761	61,886	1,007,283
<i>% of Proprietary Modifications</i>	77%	79%	85%	83%	84%	84%	82%	81%
Fixed Rate Modifications ³ (initial fixed period of 5 years or more)	N/A	N/A	284,815	234,676	90,785	73,722	70,169	609,057
<i>% of Proprietary Modifications</i>	N/A	N/A	82%	91%	90%	90%	93%	84%
Reduced P&I Modifications ³ (10% or greater)	N/A	N/A	185,015	176,002	70,581	56,287	49,134	426,371
<i>% of Proprietary Modifications</i>	N/A	N/A	53%	68%	70%	69%	65%	59%

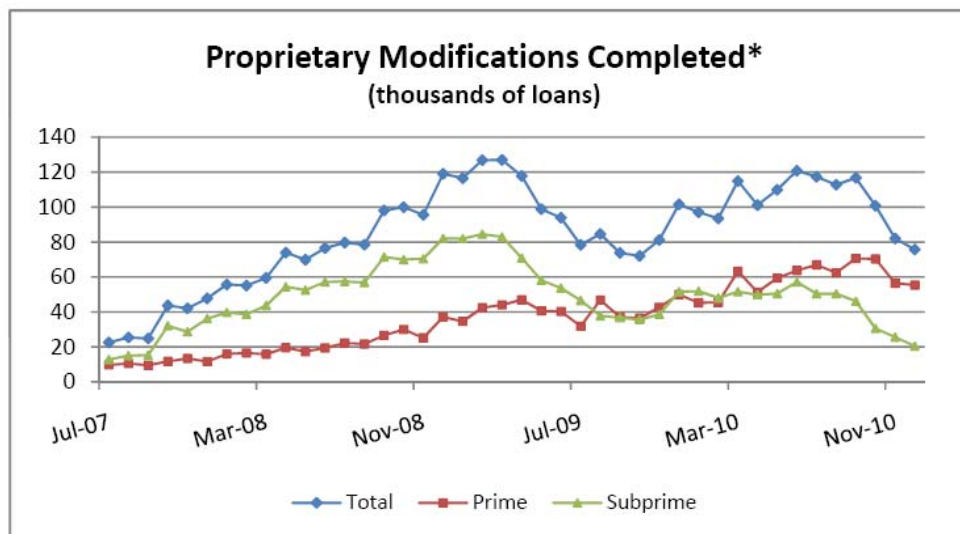
Foreclosure Starts	684,874	566,012	709,119	658,401	205,125	221,095	232,181	2,618,406
Foreclosure Sales	288,526	286,712	313,949	180,680	69,197	55,137	56,346	1,069,867
60+ Days Delinquency ⁴	3,944,479	3,605,377	3,202,259	3,028,199	3,130,875	3,079,238	2,874,485	3,445,079

¹Source - Making Home Affordable. Estimated.

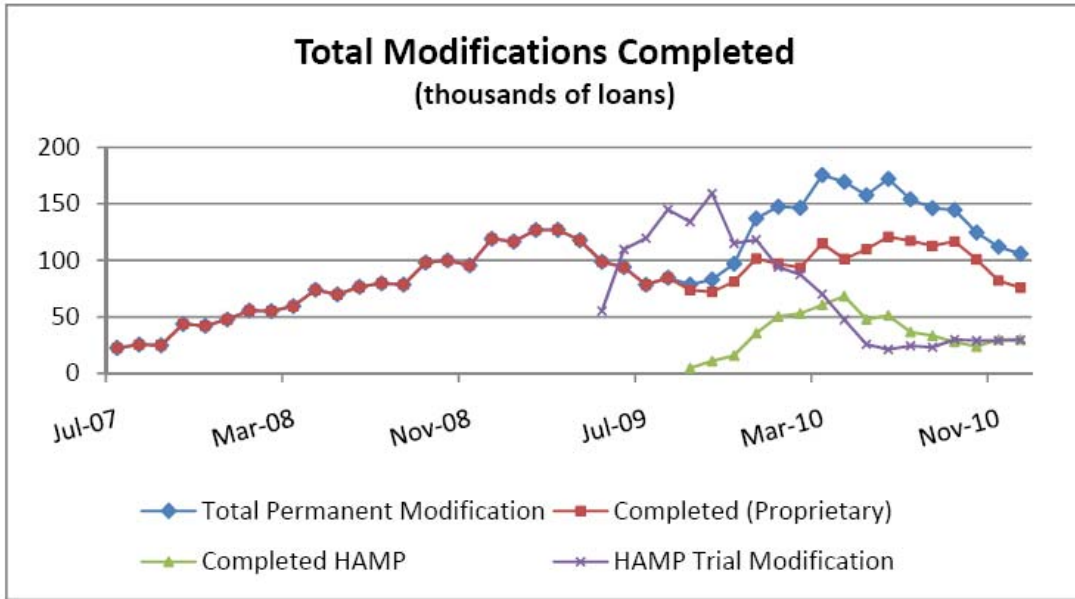
²Extrapolated. Modifications Completed was revised in December 2009 to include Current Modifications and specifically exclude HAMP.

³Year to Date Total for this field begins in June 2010.

⁴Monthly average.

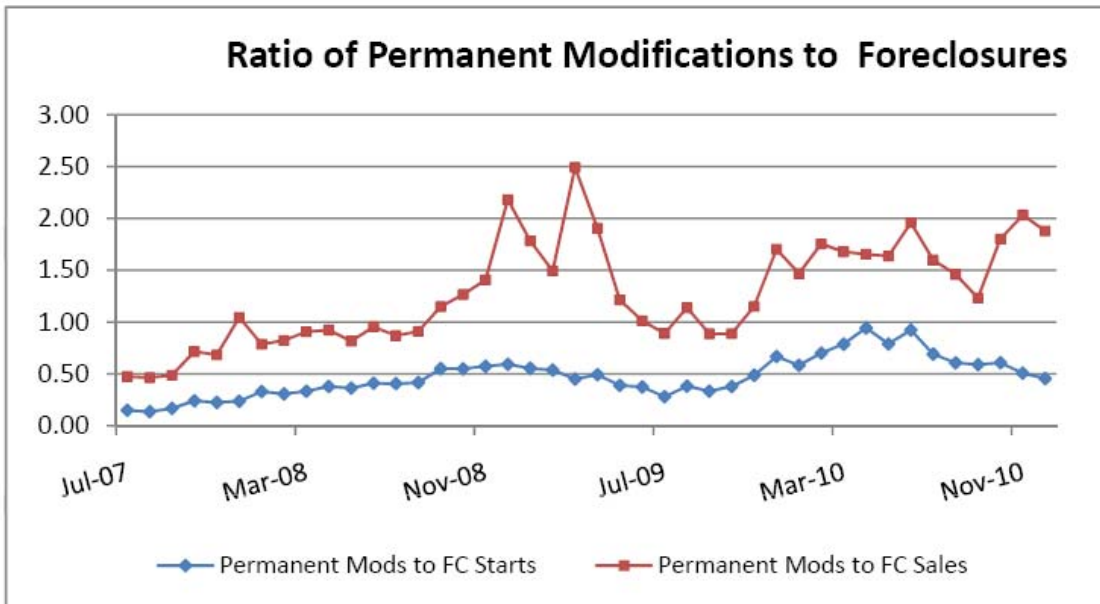


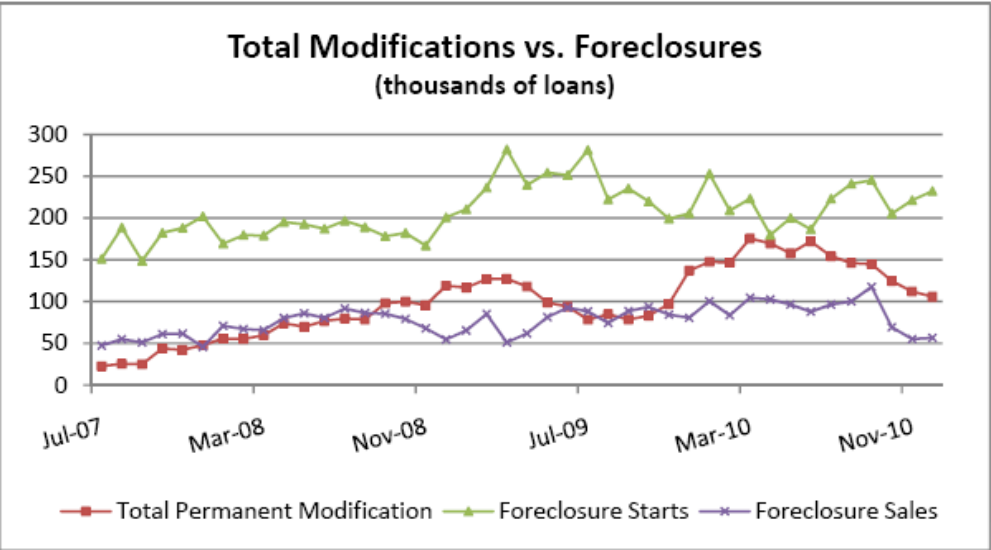
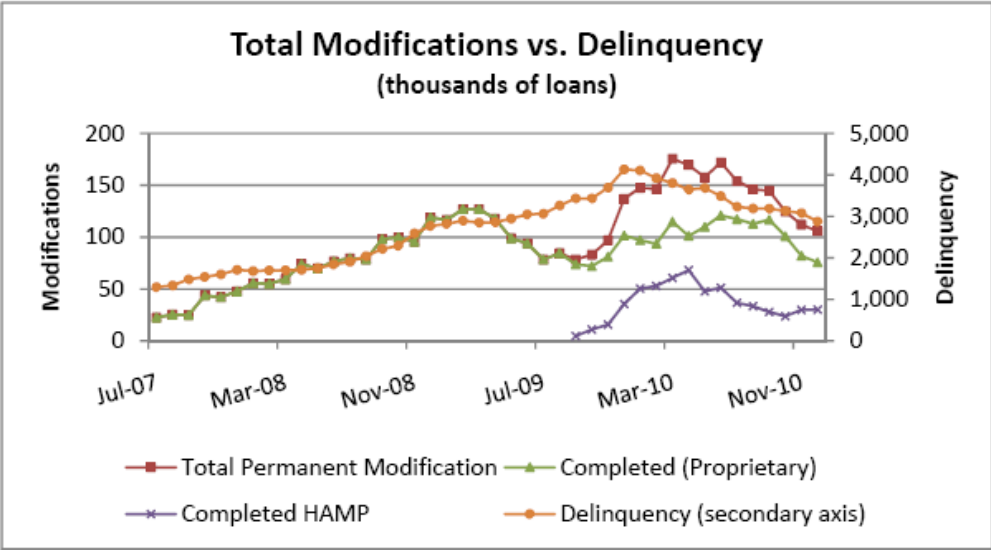
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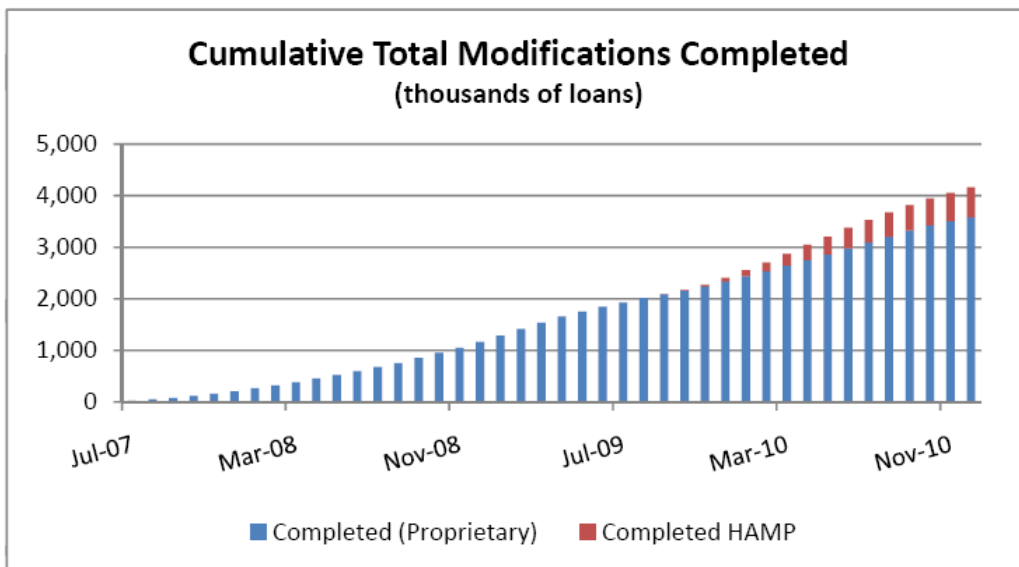
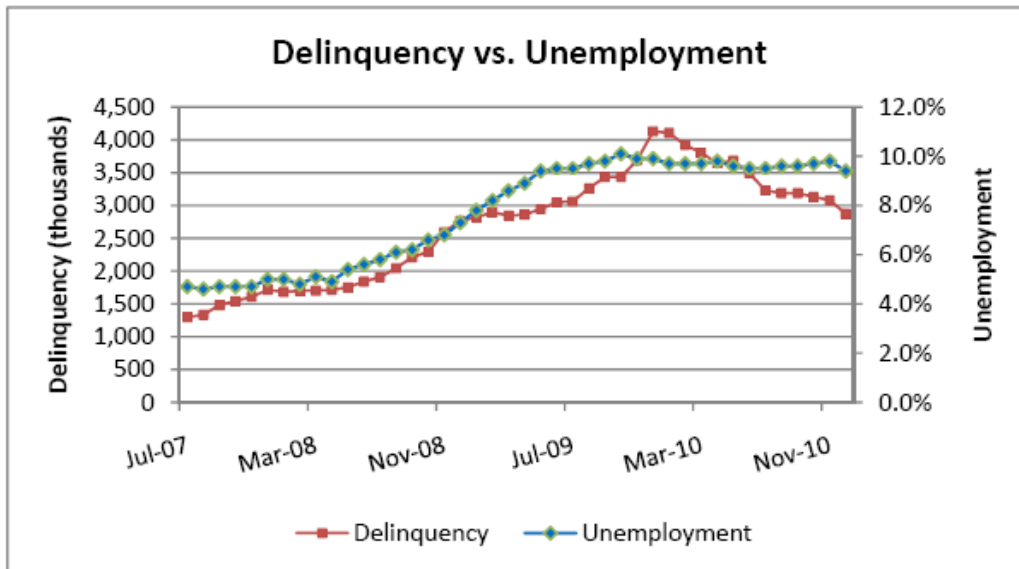
Source: Making Home Affordable and HOPE NOW

Total Permanent Modifications is the sum of Completed HAMP and Completed (Proprietary). HOPE NOW has collected data on Completed (Proprietary) Modifications since 2007. Data for HAMP Trial Modifications began in May 2009 while data for Completed HAMP loans began in September 2009.





Source: Making Home Affordable and HOPE NOW
 Total Permanent Modifications is the sum of Completed HAMP and Completed (Proprietary). HOPE NOW has collected data on Completed (Proprietary) Modifications since 2007. Data for HAMP Trial Modifications began in May 2009 while data for Completed HAMP loans began in September 2009.

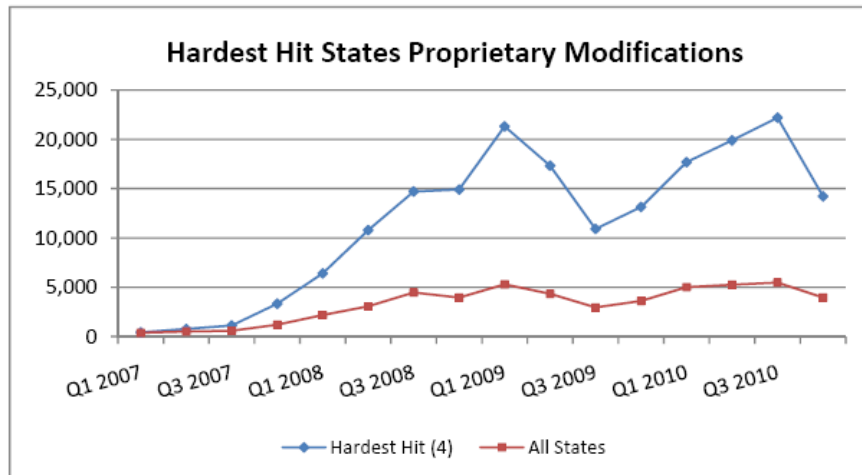
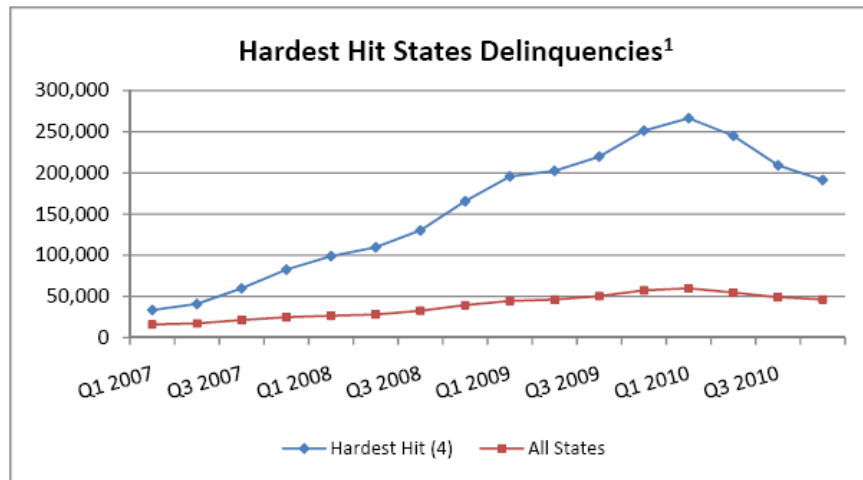


Source: Making Home Affordable and HOPE NOW
 HOPE NOW has collected data on Completed (Proprietary) Modifications since 2007. Data for Completed HAMP loans began in September 2009.

	2007	2008	2009	2010
Delinquency				
Hardest Hit (4)	54,128	126,104	217,343	228,048
All States	19,753	31,597	49,618	52,443
Foreclosure Starts				
Hardest Hit (4)	81,661	182,087	220,734	172,923
All States	23,160	35,170	43,359	38,941
Foreclosure Sales				
Hardest Hit (4)	23,692	78,458	81,610	83,298
All States	8,464	14,800	14,670	15,930
Modifications				
Hardest Hit (4)	5,640	46,810	62,687	73,986
All States	2,668	13,651	16,193	19,705

¹Delinquency data is shown as a monthly average.
Hardest Hit States: California, Florida, Nevada, Arizona
State Data is not extrapolated.

Source: HOPE NOW



Source: HOPE NOW --- Hardest Hit States: California, Florida, Nevada, Arizona

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:

Counselors

Affordable Housing Centers of America
Catholic Charities USA ®
Citizens' Housing and Planning Association, Inc.
Consumer Credit Counseling Service of Atlanta ™
HomeFree - USA ©
Homeownership Preservation Foundation ™
The Housing Partnership Network ©
Mission of Peace Housing Counseling Agency ©
Mississippi Homebuyer Education Center ©
The Mon Valley Initiative
Money Management International, Inc. ©
National Community Reinvestment Coalition ©
National Council of La Raza ©
National Federation of Community Development Credit Unions
National Foundation for Credit Counseling ©
NID - Housing Counseling Agency
The National Urban League ©
NeighborWorks® America
Neighborhood Assistance Corporation of America © (NACA)
Rural Community Assistance Co.
Structured Employment Economic Development Co.
West Tennessee Legal Services, Inc.

Mortgage Companies

Acqura Loan Services
American Home Mortgage Servicing, Inc.
Assurant, Inc.
Aurora Loan Services
Bank of America
Bayview Financial
Carrington Mortgage Services, LLC
Citigroup, Inc. (Citi Mortgage / Citi Residential)
First Horizon Home Loans and First Tennessee Home Loans
GMAC Mortgage
HSBC Finance-Beneficial
HSBC Finance-HFC
HSBC Mortgage Corporation
HSBC Mortgage Services
IBM Lender Business Process Services
JP Morgan Chase

Litton Loan Servicing
LoanCare Servicing Center
MetLife Home Loans
NationPoint
Nationstar Mortgage, LLC
Ocwen Loan Servicing, LLC
OneWest Bank
PMI Mortgage Insurance Co.
PNC Mortgage
Quicken Loans
Residential Credit Solutions
RoundPoint Mortgage Servicing Corporation
Saxon Mortgage Services / Morgan Stanley
Select Portfolio Servicing, Inc.
Strategic Recovery Group
SunTrust Mortgage, Inc.
Vericrest Financial Inc.
Wells Fargo and Company

Trade Associations

American Bankers Association
Mortgage Bankers Association ® (MBA)
The Financial Services Roundtable ®
The Housing Policy Council
Investors
Fannie Mae
Freddie Mac
Mortgage Insurance Companies
Genworth Mortgage Insurance Corporation
Radian Guaranty, Inc.
PMI Mortgage Insurance Co.
State Farm Insurance

Mortgage Market Participants

MERS



What is HOPE NOW?

HOPE NOW is an alliance of counselors, mortgage lenders/servicers, investors, and other mortgage market participants to prevent foreclosures through outreach to delinquent borrowers, counseling, and loan workouts based on the borrower's ability to repay. The goal is to prevent foreclosures by connecting troubled borrowers with counselors and/or their mortgage servicer

- **Reaching Homeowners in Need:**

- Homeownership Forums: HOPE NOW is conducting a multi-state tour of homeownership workshop where homeowners have the opportunity to talk to their lender and/or a HUD certified housing counselor about their mortgage. In 2009, HOPE NOW held thirty-one events across the country, reaching over 31,000 homeowners, providing piece of mind and a roadmap to mortgage relief. HOPE NOW conducted 44 outreach events in 2010, reaching nearly 30,000 borrowers.
- Web Based Resources: The HOPE NOW website can be a valuable resource for homeowners looking to avoid foreclosure. Information on government resources ranging from modification programs to unemployment benefits can be found, along with a comprehensive list of all HUD approved non-profit counseling agencies by state. Also, homeowners can take a Home Affordable self-assessment which will give them a clearer idea of whether or not they would qualify for the Making Home Affordable Program.
- Web Help for Homeowners and Counselors: Partnership with HOPE LoanPort, a separate non-profit entity that has created a web-based portal for streamlined submission of loan modification applications and faster decision making by mortgage servicers. Currently, twelve major mortgage servicers, along with 1,700 housing counselors from 428 organizations across the country, are using HOPE LoanPort. The total cases submitted to participating servicers in 2010 were more than 6,000.

- **Counseling Homeowners in Need:**

- 888-995-HOPE: Free counseling for homeowners is available at the Homeownership Preservation Foundation's Homeowner's HOPE™ Hotline, 888-995-HOPE. When a homeowner calls the Hotline, they are connected to one of 450 counselors from one of ten non-profit counseling agencies who are all HUD-approved who receives, assesses, counsels, refers, and connects the borrower to their servicer. In 2010 the Hotline received more than 1 million calls from distressed homeowners.
- In-person counseling: NeighborWorks® America and other HUD-approved agencies provide face-to-face counseling to borrowers in need. As the outreach efforts are promoted, local groups are encouraged to attend and play a major role in the triage of distressed families. Local servicers are a welcomed relief and help families understand what systems are free and readily accessible.
- Free Counseling: All HUD-approved counseling is free for homeowners and HOPE NOW urges borrowers to seek assistance from qualified experts. There are unscrupulous parties who entice homeowners to pay for foreclosure prevention help.

- **Survey Data Reporting:**

- Since July 2007, more than 4.16 million homeowners have saved their homes via permanent loan modifications. This included both proprietary loan modifications and all permanent modifications completed under the Home Affordable Modification Program (HAMP). In 2010 servicers completed 1.76 million permanent loan modifications.
- Information for Policy Makers: Testimony provided for Congress, on several occasions, regarding the unprecedented collaborative efforts of the mortgage industry, government and non-profit community to preserve homeownership in the United States.

HOPE LoanPort™, powered by RxOffice® and developed by the HOPE NOW Alliance, is a new web-based tool that streamlines loan modification applications on behalf of homeowners at-risk of foreclosure, allowing housing counselors to efficiently transmit completed applications to mortgage companies. HOPE LoanPort™ is designed to improve the quality of both the application by gathering the required information and documentation and transmitting it to partner mortgage servicers application.



How does an at-risk homeowner use HOPE LoanPort™?

- Contacts a participating US Department of Housing & Urban Development (HUD) approved non-profit counselor(s) in the HOPE LoanPort™ network.
- Counselor gathers all information and documentation from homeowner and completes application through HOPE LoanPort™.
- Complete application is sent electronically to the homeowner's mortgage servicer. Documents and information cannot be lost.
- Applications are updated with current status every 10 business days through HOPE LoanPort™ by all partners.

What are the benefits of HOPE LoanPort™?

- Secure electronic submission of completed modification applications.
- Standardization of required application data elements and supporting documents.
- Electronic verification that the mortgage servicer has received the fully completed modification package.
- Messaging of application statuses between counselor and mortgage servicer.
- Migration away from faxes, redundant telephone calls, and lost documents.
- Integrates seamlessly with counselor and servicing systems.

Who is using HOPE LoanPort™?

- Open to HUD-Approved housing counseling agencies and National Foreclosure Mitigation Counseling Program (NFMC) recipients.
- Approximately 500 counseling organizations, 2,100 counselors in 46 states and the District of Columbia, as well as Puerto Rico are active on HOPE LoanPort™.
- Thirteen (13) mortgage servicers are currently using HOPE LoanPort™: American Home Mortgage Servicing, Inc., Bank of America, Bayview Loan Servicing, JP Morgan Chase, Citi Mortgage, GMAC, Met Life® Home Loans, Ocwen Loan Servicing, OneWest Bank, PNC Mortgage, Saxon Mortgage Services, SunTrust Mortgage, Inc. and Wells Fargo Home Mortgage.
- Supported by state housing finance agencies in four states: Arizona, Nevada, Ohio & Maryland, as well the North Carolina Department of Banking.



www.hopeloanportal.org

