

November 30, 2009
Herbert M. Allison, Jr.
Assistant Secretary for Financial Stability
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

By e-mail and facsimile

Dear Secretary Allison:

On behalf of the groups who joined me at our November 17 meeting (see attached list), thank you for your time and active participation in our discussion. Like you, we are anxious to see the Making Home Affordable modification effort succeed. Like you, we are frustrated at the slow pace of progress, in spite of what we agree are important steps forward that the program has taken in recent months. We appreciate your offer to meet with us again, and look forward to another meeting in mid-January.

We will follow up on a number of issues that were raised at our session and hope we can report collective progress on them when we next meet. To summarize the major outstanding issues:

1. ***Help for homeowners who are threatened with the loss of their home because of unemployment.*** We had a helpful session with Seth Wheeler following our meeting with you. The members of our group that are most directly involved in working with unemployed homeowners will continue to work with Seth to craft a workable solution that can be executed quickly. While a forbearance program may be the easiest to implement, a loan program would help more homeowners and provide more sustainable outcomes.
2. ***Significant progress in converting trial modifications into permanent modifications.*** We were pleased to hear your commitment to making this your office's highest priority through the end of the year. We look forward to the Department's reports on progress. Beyond enhanced outreach, this goal would be well served by automatic rollovers and reforms to how payments under the trial modifications are applied.
3. ***Ending foreclosure actions against borrowers that are seeking or have already qualified for a trial modification.*** We cannot emphasize enough how much damage the continuing reality of foreclosures during the HAMP review process and trial modification period is doing to the HAMP program's credibility and ultimate success, not to mention the distress it is causing the borrowers. Not only do sales continue in violation of HAMP contracts, but the continuation of the foreclosure process itself undermines efforts to bring assistance to homeowners. We appreciate Laurie Maggiano's efforts to convene foreclosure attorneys, lenders and consumer advocates to discuss ways to ameliorate this problem. But as we stressed at the meeting, we believe that the U.S.

Treasury can and should make it perfectly clear that proceeding with foreclosure sales against borrowers that are in trial modifications is a breach of a participating servicer's contract with the U.S. Government and cannot be tolerated. Moreover, only a complete halt to the foreclosure process during the HAMP review and trial modification period will assure a cease in sales during this time while limiting the costs and other stresses associated with the foreclosure process. We understand that there are process and technical issues to resolve. But this is most importantly a matter of policy that you and your office control. We urge you to act quickly and unequivocally to put servicers on notice that such breaches of policy will not be tolerated and to implement a broader foreclosure halt as soon as possible.

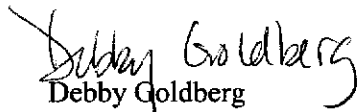
4. ***The NPV model that is being used in the HAMP process should be improved and made more transparent.*** The current NPV model lacks both transparency and sophistication in its treatment of loans from widely disparate markets. We will work with Phyllis Caldwell to pursue this in more detail. But we feel strongly that Treasury can and should make additional changes to the NPV model and its availability, and that these changes likely will increase the number of successful HAMP applications.
5. ***Treasury should provide the public with full access to the data it is collecting from servicers, and make it available at the most granular levels possible.*** We appreciate the need to protect individual borrowers' privacy in disclosing HAMP data. Experience with both Home Mortgage Disclosure Act (HMDA) and GSE data has shown that it is possible to make these datasets available in ways that both protect borrowers and allow the public to analyze program results fully and objectively.
6. ***Principal reduction must be given a higher priority in resolving troubled mortgages.*** It is increasingly clear to us and other observers that unless principal reductions play a larger role in modifications, success rates for borrowers will not reach the levels that they should. The result will be more financially strapped borrowers, more vacant properties, and greater and continuing stress on state and local governments that have to deal with them. Recent news reports of hedge funds and other investors purchasing loans at steep discounts in order to refinance them while offering principal reductions to borrowers suggest that there is significant value to be gained through principal reductions. We urge the Treasury to consider a more aggressive policy about them in the HAMP program.
7. ***Institute an appeals process and improve the HAMP compliance effort.*** Given the many problems borrowers are experiencing with their servicers and the program's overall lack of transparency, it is difficult for borrowers who are denied HAMP loan modifications to have confidence that their applications were handled properly. A speedy, thorough, transparent, and borrower-initiated appeals process—**where cases are independently reviewed outside of the servicer by someone with the authority to order resolutions**—is a critical tool for creating confidence among borrowers and the public that the program is working as it should. In addition, borrowers and their

advocates report widespread violations of HAMP guidelines by servicers, with no apparent consequences to the servicers involved. These violations must not be allowed to persist. Treasury should enhance its compliance effort **through better reviews and the institution of penalties to servicers and remedies to borrowers in order** to eliminate these violations, prevent them from being repeated, and reassure the public that the HAMP compliance program is effective.

We look forward to working with Phyllis Caldwell and other members of your staff to bring a satisfactory resolution to these and other outstanding issues. Our aim is to be able to report significant progress on all of them by the time of our next meeting.

We look forward to meeting with you again early in 2010. I will follow up with your office soon to identify and set a date. In the meantime, thank you again for your attention and commitment. We hope you and your family enjoy a happy and safe holiday season. We know you wish the same for the millions of families whose homes are jeopardized because of this crisis. Together we hope we can make a difference for all of them.

Sincerely,


Debby Goldberg
National Fair Housing Alliance

Encl.

Attendees at 11.17.09 meeting

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