

November 30, 2009

Ms. Phyllis Caldwell  
Chief, Office of Homeownership Preservation  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

Dear Ms. <sup>Phyllis</sup>~~Caldwell~~:

On behalf of the groups who attended the November 17 meeting with Assistant Secretary Allison (see attached list), I want to thank you for taking the time to join us and participate in the discussion about the Making Home Affordable modification program (HAMP). We want to congratulate you on your appointment as Chief of the Office of Homeownership Preservation, which has such a critical role to play in addressing the foreclosure crisis. We are pleased that Treasury has brought you on board to lead this effort. We are also pleased to have had the opportunity so early in your tenure to raise with you our concerns about HAMP's structure and implementation, and offer suggestions for ways to expand its impact. While important changes have been made to HAMP in recent months, the fact that loan modifications under the program have not kept pace with rising mortgage defaults and foreclosures has been a source of frustration and alarm. Further changes to the program are needed to reverse this trend. We know that you share our ultimate goals of stopping foreclosures, saving homes and stabilizing communities, and we look forward to working with you, your staff and your colleagues at Treasury to realize these goals.

Below is a summary of the issues raised at the meeting that require follow-up. We would like to meet with you as soon as possible to identify the specific people on your staff with primary responsibility for each, and to map out a series of next steps that will enable us to report substantial progress in each area when we meet with Assistant Secretary Allison again in January.

1. ***Help for homeowners who are threatened with the loss of their home because of unemployment.*** Our session with Seth Wheeler following the November 17 meeting was very helpful. The members of our group that are most directly involved in working with unemployed homeowners are continuing to work with Seth to craft a workable solution that can be executed quickly. A related issue is the question of redefaults and the program changes needed to help borrowers facing this difficulty.
2. ***Converting trial modifications into permanent modifications.*** We were pleased to hear that this will be your office's highest priority through the end of the year, and want to work with you to create a process that expedites conversions and protects homeowners from the additional expense and damage to their credit that result from extended trial periods.
3. ***Ending foreclosure actions against borrowers that are seeking or have already qualified for a trial modification.*** We cannot emphasize enough how much the continuing reality of foreclosures during the trial modification period is damaging HAMP's credibility and

ultimate success, not to mention the distress it is causing the borrowers. 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 actions 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. We understand that there are process and technical issues to resolve, and are prepared to work on these with you. 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 will not be tolerated.

4. ***Provide borrowers in bankruptcy with fair and equal access to HAMP.*** HAMP guidelines give servicers discretion about whether or not to offer a HAMP loan modification to borrowers who are already in or enter bankruptcy. As a result, servicers are routinely denying trial plans and/or not converting trials to permanent modifications for the many homeowners who have or will file bankruptcy. This is a violation of federal law prohibiting discrimination against bankruptcy debtors. Further, and equally importantly, it is counter-productive, since for homeowners who are overburdened by debt, filing bankruptcy frequently substantially increases the chance of success in the modified loan. Therefore, in order to produce a greater number of permanent modifications, as well as improve the success rate of those modifications, HAMP guidelines should be changed to prohibit participating servicers from discriminating against bankruptcy debtors.
5. ***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 feel strongly that Treasury can and should make additional changes to the NPV model, and that such changes will likely increase the number of successful HAMP applications. We want to work with you to identify such changes, as well as steps that can be taken to increase the transparency of the NPV model and its impact on applications for HAMP loan modifications.
6. ***Treasury should provide full access to the data it is collecting from servicers, and make it available at the most granular levels possible.*** As Assistant Secretary Allison pointed out, making these data public allows us to help you monitor HAMP. We want to work with you to design a public disclosure process that is as simple and straightforward as possible. It must serve the public interest in getting the data out quickly so that any interested party can analyze the program results fully and objectively. At the same time, it must protect the privacy of individual borrowers. 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 accomplish both goals.
7. ***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

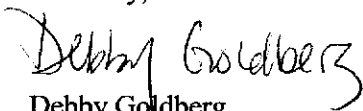
in modifications success rates for borrowers will not reach the levels that they should. The result will be more financially strapped borrowers, more vacant properties, and greater and continuing stress on state and local governments that have to deal with them. Recent news reports of hedge funds and others that are 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.

8. ***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 the servicer by someone with 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 their recurrence, and reassure the public that there is an effective compliance program in place for HAMP.

Please let me know when you are available to meet with us to map out a process for moving ahead in each of these critical areas. We are mindful of the short time before our next meeting with the Assistant Secretary, and eager to be able to report at that meeting that many of our most pressing concerns have been addressed.

Congratulations again on your new role at the Treasury Department. We look forward to working with you to expand the impact of HAMP, as well as on other measures to end the foreclosure crisis. Together we hope we can make a difference for the many families whose homes are jeopardized by this crisis.

Sincerely,



Debby Goldberg

National Fair Housing Alliance

Encl.

**Attendees at 11.17.09 meeting**

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