Congress of the United States
Washington, DC 20515

March 28, 2011

The Honorable Timothy Geithner
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington DC 20220

Dear Mr. Secretary:

We are writing to you in anticipation of a floor vote on The HAMP Termination Act of 2011 (H.R. 839) during the week of March 28, 2011.

As you know, the Republican position, as envisioned under H.R. 839, is to eliminate the Home Affordable Modification Program (HAMP) without offering any alternative or replacement, thereby leaving thousands of vulnerable families to fend for themselves as they see their home values plummet and struggle to make their mortgage payments. Contrary to the Republican position under H.R. 839, we do not believe that HAMP should be eliminated.

While we believe terminating HAMP would be contrary to our goal of helping homeowners stay in their homes, we are keenly aware of the program's shortcomings and weaknesses. However, we believe that there are simple steps that can be taken to improve the efficiency of HAMP, eliminate many of the programs faults and dramatically expand the number of homeowners who could benefit from the program. Congress has conducted rigorous oversight of HAMP through hearings of the Financial Services Committee, including the Subcommittee on Housing and Community Opportunity, along with the Committee on Oversight and Government Reform, and has documented that modest adjustments to HAMP could immediately improve the performance of the program.

Unfortunately, none of these improvements have yet been implemented and program results have been disappointing. The program has permanently modified only about 600,000 loans to date, and would likely reach a modest number of additional homeowners if permitted to accept new applicants until the end of 2012, as the program was originally designed. It is important to contrast these 600,000 modifications with the approximately 5 million foreclosures that have been completed since the program started.

It is clear to us that HAMP must change in order to reach its potential in helping American families. The greatest challenge to the program is the inability of the Treasury Department to compel servicers to participate in the program or hold them accountable to the prescribed standards when they do. As Special Inspector General for the Troubled Asset Relief Program Neil Barofsky notes in the January 26, 2011 report to Congress, "anecdotal evidence of [servicer] failures [have] been well chronicled. From the repeated loss of borrower paperwork, to blatant failure to follow program standards, to unnecessary delays that severely harm borrowers while benefiting servicers themselves, stories of servicer negligence and misconduct are

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legion…despite nearly daily accounts of errors and more serious misconduct, Treasury reports that it has yet to impose a financial penalty on, or claw back incentives from, a single servicer for any reason other than failure to provide data."

Therefore, we urge you to work with regulators to promulgate rules immediately that meet the following standards:

**Establish a Single-Point-of-Contact for Borrowers:**

Mortgage servicers need to establish a single-point-of-contact for borrowers for the duration of their loan modification. This single-point-of-contact should be directly accessible to the borrower, and the contact should have decision-making authority on loan modification decisions.

**End Dual Track:**

The fact that the foreclosure and loss mitigation processes are allowed to progress along parallel tracks often leads to foreclosures that would otherwise be avoidable. This so-called "dual track" must be prohibited.

The foreclosure process should be suspended when the borrower makes a request for a loan modification. While the loan modification process is ongoing, the servicer should cease to send any foreclosure notices to the borrower, conduct or schedule a sale, or cause any judgment to be entered. Should the borrower not qualify for a loan modification, the foreclosure process could be quickly resumed upon the loan servicer notifying the borrower of the reason for the loan modification denial.

**Independent Review of Loan Modification Denials:**

Borrowers should have the right to appeal a loan modification denial to an independent third party in order to ascertain whether they have been properly considered for a HAMP or proprietary loan modification program, or foreclosure avoidance program such as a short sale or deed-in-lieu.

In addition to these three requests, which are consistent with a bipartisan letter sent by 18 senators last week, we ask that the Treasury Department begin levying fines and penalties against servicers who fail to follow program rules. Treasury has stated that levying such fines and penalties would lead servicers to drop out of the program; in contrast, we believe that continuing HAMP without meaningful enforcement would be a mistake. As SIGTARP notes in the January 26 report to Congress, "if getting tough means risking servicer flight, so be it."

These penalties should be separate and apart from any settlement reached by servicers and state attorneys general, or the taskforce leading the federal interagency foreclosure investigation.

Make no mistake, our criticisms of HAMP should in no way be construed as support for the Republican position that we should precipitously let the "market bottom-out" in order to begin our housing recovery. In fact, we believe that the "market bottoming-out" is simply a

euphemism for more families losing their homes, and more children being uprooted from their communities.

Instead, we urge you to act as quickly as possible in instituting these reforms. These changes to mortgage servicing are needed not only for borrowers, but to ensure a fully-functioning mortgage market that protects investors and encourages the return of private capital moving forward.

Sincerely,

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