



Americans for Financial Reform
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EXECUTIVE ACTIONS TO PREVENT AVOIDABLE FORECLOSURES AND BOOST THE ECONOMY

- **Servicers should be required to make cost effective loan modifications and these should include principal reductions.** When a loan modification will produce a greater or equal return for an investor than foreclosure, loan servicers should be required to make the loan modification. Modifications should include reduction of principal in first liens, modification or extinguishment of second liens, and reductions in interest rate for the life of the loan based on the homeowners' debts and necessary expenses as well as their income. Failure by a servicer to provide a required loan modification should be a defense to foreclosure for the affected homeowner. In addition, bankruptcy reform would provide critical relief to homeowners and help clear the housing market, and it should be included in any legislation dealing with foreclosures.
- **Fannie Mae and Freddie Mac must improve their loan modifications.** Fannie Mae and Freddie Mac (the GSEs), now in conservatorship and supported by taxpayers, should prevent unnecessary foreclosures- to protect both taxpayers and homeowners. Industry research shows that principal reductions produce the best long-term returns for the investors and the taxpayers even though they require the recognition of loan losses now on the GSE books. The GSEs should not be permitted to elevate short-term concerns about their balance sheets by refusing to make principal reductions that will result in long-term advantages. The Federal Housing Finance Agency (FHFA) should require both GSEs to adopt and enforce all of the reforms set out in this memo.
- **HUD, VA, and other government housing programs should enforce their homeowner protection rules, especially those related to mandatory loss mitigation.** These government loan programs have rules requiring servicers to try to modify loans before proceeding to foreclosure, but they are not well followed or enforced. These rules should be clarified, strengthened, and rigorously enforced.
- **End the 'dual tracks' of loss mitigation and foreclosure.** Currently, companies that service loans and process loan modifications typically continue with foreclosure proceedings at the same time that homeowners are applying for and being considered for loan modifications. These parallel tracks confuse the homeowner, add the cost of the foreclosure work to the homeowner's debt, and result in foreclosures being wrongfully completed even when the homeowner has applied for or even received a loan modification. Experience has shown that regulatory and programmatic requirements barring foreclosure sales against homeowners in this situation have failed to provide adequate protection. Consequently, if a homeowner has requested a loan modification or other alternative to foreclosure, no foreclosure process should be started or, if the homeowner is already in foreclosure, the foreclosure should not advance while that modification request is reviewed and processed. While several regulators and banks have indicated they are beginning to change aspects of this practice, it is important that it be changed fully and industry-wide. Investor agreements generally provide significant leeway for such action.
- **Unemployed homeowners need up to 12 months to catch up.** HAMP currently requires that mortgage companies provide a minimum of three months of payment relief for unemployed

homeowners. Given the typical length of current unemployment, three months is not enough time for many homeowners to find a new job. This mandatory period should be increased to 12 months, with more permitted if the servicer and investors agree to do so, which the agencies have the authority to do.

- **Homeowners need a single case manager or point of contact for their modification requests.** Servicers often lose paperwork, make inconsistent requests, and give conflicting information to homeowners. This confusion could be greatly reduced by having a single case manager responsible for each homeowner's case. Servicers should also be required to have a contact available to resolve disputes (such as missing paperwork) with greater urgency and accountability. Allowing servicers to develop their own approaches to customer service has clearly failed to provide adequate results.
- **Those who are denied loan modifications should be given an understandable and full explanation as well as the right of appeal to a neutral third party.** Homeowners who are turned down for loan modifications often are not given reasons for the denial and they now have no right to appeal the denial. Homeowners should be provided with a full and clear explanation of why they are being denied modifications (whether inside of HAMP or outside of it) including written documentation of any investor-related restrictions. An appeal to an independent third party should be provided, perhaps through an Office of the Homeowner Advocate at Treasury or another agency, which can be set up without Congressional approval. In addition, the Administration should request that Congress fund the foreclosure prevention legal assistance program authorized by the Dodd-Frank Act.
- **Trial modifications should convert to permanent modifications automatically and homeowners should not be harmed by trial modifications.** Homeowners who receive trial modifications and make their payments are still being put through additional red tape that blocks permanent modifications. Under HAMP and any other loan modification program using trial modifications, once a borrower with a verified-income trial modification has made three consecutive, on-time payments, they should automatically obtain a permanent modification. Homeowners who make payments but are denied final modifications should be given appropriate options to catch up on their mortgages without penalty.
- **The Administration should ensure that assistance for struggling homeowners facing foreclosure is provided quickly and effectively.** The Administration should speed implementation of the Emergency Homeowner Loan Program, including completing guidelines and monitoring its operation to ensure that the funds are spent prior to the September 30, 2011, deadline. The Administration also should carefully monitor the Hardest Hit Funds to be sure they are spent efficiently to stop foreclosures and that access to the programs is not unreasonably restrictive.

Following are the partners of Americans for Financial Reform.

All the organizations support the overall principles of AFR and are working for an accountable, fair and secure financial system. Not all of these organizations work on all of the issues covered by the coalition or have signed on to every statement.

- A New Way Forward
- AARP
- ACORN
- AFL-CIO
- AFSCME
- Alliance For Justice
- Americans for Democratic Action, Inc
- American Income Life Insurance
- Americans for Fairness in Lending
- Americans United for Change
- Calvert Asset Management Company, Inc.
- Campaign for America's Future
- Campaign Money
- Center for Digital Democracy
- Center for Economic and Policy Research
- Center for Economic Progress
- Center for Media and Democracy
- Center for Responsible Lending
- Center for Justice and Democracy
- Center of Concern
- Change to Win
- Clean Yield Asset Management
- Coastal Enterprises Inc.
- Color of Change
- Common Cause
- Communications Workers of America
- Community Development Transportation Lending Services
- Consumer Action
- Consumer Association Council
- Consumers for Auto Safety and Reliability
- Consumer Federation of America
- Consumer Watchdog
- Consumers Union
- Corporation for Enterprise Development
- CREDO Mobile
- CTW Investment Group
- Demos
- Economic Policy Institute
- Essential Action
- Greenlining Institute
- Good Business International
- HNMA Funding Company
- Home Actions
- Housing Counseling Services
- Information Press
- Institute for Global Communications
- Institute for Policy Studies: Global Economy Project

- International Brotherhood of Teamsters
- Institute of Women's Policy Research
- Krull & Company
- Laborers' International Union of North America
- Lake Research Partners
- Lawyers' Committee for Civil Rights Under Law
- Leadership Conference on Civil Rights
- Move On
- NASCAT
- National Association of Consumer Advocates
- National Association of Neighborhoods
- National Community Reinvestment Coalition
- National Consumer Law Center (on behalf of its low-income clients)
- National Consumers League
- National Council of La Raza
- National Fair Housing Alliance
- National Federation of Community Development Credit Unions
- National Housing Trust
- National Housing Trust Community Development Fund
- National NeighborWorks Association
- National Training and Information Center/National People's Action
- National Council of Women's Organizations
- Next Step
- OMB Watch
- Opportunity Finance Network
- Partners for the Common Good
- PICO
- Progress Now Action
- Progressive States Network
- Poverty and Race Research Action Council
- Public Citizen
- Sargent Shriver Center on Poverty Law
- SEIU
- State Voices
- Taxpayer's for Common Sense
- The Association for Housing and Neighborhood Development
- The Fuel Savers Club
- The Seminal
- U.S. Public Interest Research Group
- United Food and Commercial Workers
- United States Student Association
- USAction
- Veris Wealth Partners
- Western States Center
- We the People Now
- Woodstock Institute
- World Privacy Forum
- UNET
- Union Plus
- Unitarian Universalist for a Just Economic Community

Partial list of State and Local Signers

- Alaska PIRG
- Arizona PIRG
- Arizona Advocacy Network
- Arizonans For Responsible Lending
- Association for Neighborhood and Housing Development NY
- Audubon Partnership for Economic Development LDC, New York NY
- BAC Funding Consortium Inc., Miami FL
- Beech Capital Venture Corporation, Philadelphia PA
- California PIRG
- California Reinvestment Coalition
- Century Housing Corporation, Culver City CA
- CHANGER NY
- Chautauqua Home Rehabilitation and Improvement Corporation (NY)
- Chicago Community Loan Fund, Chicago IL
- Chicago Community Ventures, Chicago IL
- Chicago Consumer Coalition
- Citizen Potawatomi CDC, Shawnee OK
- Colorado PIRG
- Coalition on Homeless Housing in Ohio
- Community Capital Fund, Bridgeport CT
- Community Capital of Maryland, Baltimore MD
- Community Development Financial Institution of the Tohono O'odham Nation, Sells AZ
- Community Redevelopment Loan and Investment Fund, Atlanta GA
- Community Reinvestment Association of North Carolina
- Community Resource Group, Fayetteville A
- Connecticut PIRG
- Consumer Assistance Council
- Cooper Square Committee (NYC)
- Cooperative Fund of New England, Wilmington NC
- Corporacion de Desarrollo Economico de Ceiba, Ceiba PR
- Delta Foundation, Inc., Greenville MS
- Economic Opportunity Fund (EOF), Philadelphia PA
- Empire Justice Center NY
- Enterprises, Inc., Berea KY
- Fair Housing Contact Service OH
- Federation of Appalachian Housing
- Fitness and Praise Youth Development, Inc., Baton Rouge LA
- Florida Consumer Action Network
- Florida PIRG
- Funding Partners for Housing Solutions, Ft. Collins CO
- Georgia PIRG
- Grow Iowa Foundation, Greenfield IA
- Homewise, Inc., Santa Fe NM
- Idaho Nevada CDFI, Pocatello ID
- Idaho Chapter, National Association of Social Workers
- Illinois PIRG
- Impact Capital, Seattle WA
- Indiana PIRG
- Iowa PIRG
- Iowa Citizens for Community Improvement
- JobStart Chautauqua, Inc., Mayville NY
- La Casa Federal Credit Union, Newark NJ
- Low Income Investment Fund, San Francisco CA
- Long Island Housing Services NY

- MaineStream Finance, Bangor ME
- Maryland PIRG
- Massachusetts Consumers' Coalition
- MASSPIRG
- Massachusetts Fair Housing Center
- Michigan PIRG
- Midland Community Development Corporation, Midland TX
- Midwest Minnesota Community Development Corporation, Detroit Lakes MN
- Mile High Community Loan Fund, Denver CO
- Missouri PIRG
- Mortgage Recovery Service Center of L.A.
- Montana Community Development Corporation, Missoula MT
- Montana PIRG
- Neighborhood Economic Development Advocacy Project
- New Hampshire PIRG
- New Jersey Community Capital, Trenton NJ
- New Jersey Citizen Action
- New Jersey PIRG
- New Mexico PIRG
- New York PIRG
- New York City Aids Housing Network
- NOAH Community Development Fund, Inc., Boston MA
- Nonprofit Finance Fund, New York NY
- Nonprofits Assistance Fund, Minneapolis M
- North Carolina PIRG
- Northside Community Development Fund, Pittsburgh PA
- Ohio Capital Corporation for Housing, Columbus OH
- Ohio PIRG
- OligarchyUSA
- Oregon State PIRG
- Our Oregon
- PennPIRG
- Piedmont Housing Alliance, Charlottesville VA
- Michigan PIRG
- Rocky Mountain Peace and Justice Center, CO
- Rhode Island PIRG
- Rural Community Assistance Corporation, West Sacramento CA
- Rural Organizing Project OR
- San Francisco Municipal Transportation Authority
- Seattle Economic Development Fund
- Community Capital Development
- TexPIRG
- The Fair Housing Council of Central New York
- The Loan Fund, Albuquerque NM
- Third Reconstruction Institute NC
- Vermont PIRG
- Village Capital Corporation, Cleveland OH
- Virginia Citizens Consumer Council
- Virginia Poverty Law Center
- War on Poverty - Florida
- WashPIRG
- Westchester Residential Opportunities Inc.
- Wigamig Owners Loan Fund, Inc., Lac du Flambeau WI
- WISPIRG

