

July 28, 2009

Treasury Secretary Timothy Geithner  
United States Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

Dear Secretary Geithner:

As consumer, community and faith-based organizations working to stop preventable foreclosures, we are deeply concerned by the slow pace at which many servicers are extending loan modifications under the Administration's Home Affordable Modification Program (HAMP).

The continued high rate of foreclosure is not only devastating to families who want to remain in their homes, but is also destructive to local communities, and to the overall economy. Some servicers have moved forward quickly to modify significant numbers of mortgage loans under the HAMP program, but many servicers appear to be dragging their heels or proceeding with foreclosures while HAMP modifications are pending, thus undermining efforts to revive the housing market.

That is why we thank you for calling together servicers today to urge them to do more to prevent unnecessary foreclosures.

In addition to putting public pressure on servicers – many of whom received billions of dollars in taxpayer support – our organizations would like to recommend several improvements to HAMP that we believe will help the program meet the foreclosure prevention goals set out by the President.

1. **Servicers should comply with existing HAMP guidelines**, including suspending all foreclosure proceedings until it can be determined whether a homeowner is eligible for a HAMP loan modification, applying HAMP guidelines to all portfolios being serviced and offering modifications that conform with HAMP guidelines.
2. **Servicers must be pressed to speed up the pace of modifications**, by adding trained staff and working more closely with non-profit HUD approved loan counselors; Treasury should consider creating a simpler web-based point of entry for counselors and homeowners to upload information and documents.
3. **The Treasury should create greater transparency and fairness in the program**, by disclosing the Net Present Value (NPV) models that servicers are using to calculate eligibility for modifications, requiring that homeowners who do not get a modification be told the specific reason for their denial, giving homeowners the right to appeal to a forum outside the servicer, and making all loan-level reporting data available to the public in both report and raw form, except for personal identifying information.

4. **The Administration's foreclosure prevention initiative should be adjusted to account for rising unemployment and falling property values**, including creating stronger incentives for servicers to offer homeowners principal reductions. Adjustments for unemployment should include using unemployment insurance payments as income, and allowing households to be reinstated as HAMP participants if they are more than 90 days late as a result of loss of income ( and slow servicer response), but re-establish timely payment.
5. **In addition to offering carrots to servicers to modify mortgage loans, the Federal Government should use sticks that it has available to put pressure on servicers to fully comply**, including barring corporations from receiving TARP funds, or from participating in other programs, such as the Public Private Investment Program (PPIP), if they own mortgage servicing units that refuse to meet all of the HAMP requirements. Servicers must be required to modify loans before foreclosure whenever modification would benefit investors as well as borrowers. If servicers do not significantly step up voluntary loan modifications, the Administration and Congress should revisit bankruptcy reform legislation to give homeowners the ability to request judicial loan modification.

Your continued efforts to hold servicers accountable, along with these program improvements will help millions of families remain in their homes, while stabilizing hard-hit communities and putting the housing market on a path to recovery.

We look forward to discussing these ideas with you in more detail, and to working with you to put in place a new regulatory structure that will prevent this crisis from every occurring in the future.

Sincerely,

Americans for Financial Reform  
ACORN  
Consumer Action  
Consumer Federation of America  
Demos  
Housing Counseling Services, Inc.  
National Association of Consumer Advocates  
National Association of Consumer Bankruptcy Attorneys  
National Consumer Law Center  
National Consumers League  
National Fair Housing Alliance  
National People's Action  
National Policy and Advocacy Council on Homelessness  
PICO National Network  
USAction

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