

United States Senate

WASHINGTON, DC 20510

March 3, 2011

The Honorable Timothy Geithner
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20520

Honorable Shaun L.S. Donovan
Secretary
United States Department of
Housing & Urban Development
451 7th Street, SW
Washington, DC 20410

Honorable Ben S. Bernanke
Chairman
Board of Governors of the
Federal Reserve System
20th & Constitution Ave., NW
Washington, DC 20551

Honorable Sheila C. Bair
Chairman
Federal Deposit Insurance Corp.
550 17th Street, NW
Washington, DC 20429

Honorable Mary L. Schapiro
Chairman
Securities and Exchange
Commission
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Mr. John G. Walsh
Acting Comptroller
Office of the Comptroller
of the Currency
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Mr. Edward J. DeMarco
Acting Director
Federal Housing Finance Agency
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Honorable Eric Holder
Attorney General
U.S. Department of Justice
950 Pennsylvania Ave, NW
Washington, DC 20530

Honorable Tom Miller
Attorney General
Iowa Department of Justice
1305 E. Walnut Street
Des Moines, IA 50319

Dear Ladies and Gentlemen:

We write today to urge you to establish clear national regulatory standards for the loan servicing industry that eliminates confusion and barriers to mortgage modification and help keep families in their homes. We believe those standards should include establishing a single point of contact, ending the dual track of pursuing foreclosure during the loan modification process, and ensuring an independent third-party review prior to sending a homeowner to foreclosure.

As you know, the subprime boom and bust and the near-collapse of the financial system led to our deepest recession in eight decades. It has devastated families who have lost jobs and homes, and it has greatly restricted the lending, investment, and wealth creation that are essential to economic recovery.

The Administration has initiated several programs to help families stay in their homes. Most of these loan modification and foreclosure prevention initiatives rely on loan servicing companies as implementers. This is a new role for this industry and has required extensive new hiring and training within some of these companies. Given these challenges, operational shortcomings have emerged. Problems include the submission of false foreclosure affidavits, improper assignment of funds submitted by borrowers, inappropriate advice that borrowers go into default to qualify for loan modification, and foreclosures that do not meet legal standards. These problems have significantly hampered foreclosure prevention programs, and may have violated state and federal law.

The current situation is untenable. A single set of clear national standards for the loan servicing industry must be adopted. This is an essential step to restoring the health of our housing market and financial system today, and to preventing the emergence of these problems in the future. Each of your organizations plays a role in developing and enforcing these standards, and we urge you to act as quickly as possible to develop and promulgate clear rules of the road to protect families and the economy.

Your supervision and enforcement role with the loan servicing industry also gives you the opportunity to advance these standards immediately. The current moment, while discussions with major lending institutions are underway, provides an ideal opportunity to address these matters. Please do all that you can to advance the goals contained in this letter, and to support the efforts of families to remain in their homes.

We urge you to give special attention to the following issues as you write regulations and enforce the law:

Single Point of Contact

Loan servicers should designate a single point of contact for borrowers who are pursuing a loan modification or an alternative to foreclosure.

Servicers should assign each borrower a single case manager who will remain with that borrower throughout the process. The case manager should have decision-making authority, full accountability, and access to the highest levels of management in the loan servicing company. Additional line staff may assist the case manager, but the case manager must always be accessible to the borrower. Case managers would oversee the borrower's case regardless of whether they are pursuing a HAMP loan modification, a proprietary modification, or an alternative to foreclosure.

No Dual Track

No foreclosure should be initiated until the servicer has completed a full review of a borrower's file and determined that the borrower does not qualify for any available loan modification or foreclosure prevention program.

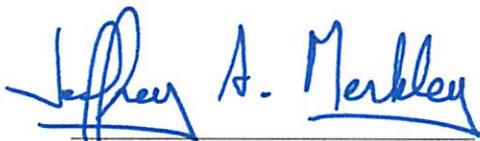
If the borrower is already in foreclosure when he or she requests a review, the servicer should suspend the foreclosure process from the time all required documents have been received until the review is completed. We believe this review can be completed quickly, so that in cases where no modification is offered, any existing foreclosure process would not need to be restarted from step one. During this period, the servicer should refrain from sending foreclosure notices to the borrower, conducting or scheduling a sale, or causing judgment to be entered. If the borrower is not approved for a modification, the loan servicer should notify the borrower that they were not approved and detail the reasons for the denial prior to initiating or resuming a judicial or non-judicial foreclosure process.

Third Party Review

Prior to notifying a borrower that they will not be approved for a modification and will be foreclosed upon, an independent third party should review the borrower's file and ascertain within a reasonable period of time that they have been appropriately considered for all HAMP and proprietary loan modification programs and that they do not qualify for any program that would prevent foreclosure.

We urge you to enact these much-needed procedural reforms as quickly as possible, and request that you notify us promptly as to your intentions in this matter. If you have any questions about our support for these programs, please do not hesitate to contact Will White in the office of Senator Merkley at (202) 224-3753, or Henry Hanscom in the office of Senator Snowe at (202) 224-5344.

Sincerely,



JEFF MERKLEY
United States Senator



OLYMPIA J. SNOWE
United States Senator

Rabert Mering

Chuck Sch

Carl Kenir

Janis K. Spaka

Ron Wyden

Jeanne Shaker

Frank R. Lautenberg

Bill Bradley

Jack Reed

Patrick Leahy

Scott Brown

Shirley

Al Franken

Tom Udall

Mark Begich
