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ONE HUNDRED ELEVENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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February 4, 2010

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The Honorable Timothy F. Geithner
Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Geithner:

I am pleased that the Department of the Treasury (Treasury) has developed a plan utilizing a variety of techniques and resources to assist struggling homeowners under the overarching banner of the Making Home Affordable (MHA) program. Working with the Department of Housing and Urban Development (HUD), and engaging the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Association (Freddie Mac), Treasury has assumed a lead role in confronting the home foreclosure crisis. While I applaud Treasury's efforts, numerous concerns have been brought to my attention regarding the effectiveness and efficiency of the MHA program and the extent to which it has assisted struggling homeowners.

A centerpiece of the MHA program is the Home Affordable Modification Program (HAMP) which commits \$75 billion for the purpose of reducing mortgage payments of qualified borrowers to no more than 31 percent of their monthly income. Although HAMP has been central to the nation's foreclosure mitigation efforts, we are concerned that loan servicers have been slow to modify loans, inconsistent in their application of the program, and are not communicating clearly with eligible homeowners. In addition, home foreclosures across the nation have increased faster than the rate of new HAMP trial modifications, by more than 2 to 1.¹ Finally, despite incentives offered to servicers through HAMP, the December 2009 "MHA Program Servicer Performance Report" demonstrates that certain institutions have made dismal progress in modifying loans, even though they service a large number of homeowners potentially eligible for HAMP.²

¹Congressional Oversight Panel, "October Oversight Report: An Assessment of Foreclosure Mitigation Efforts After Six Months," October 9, 2009 at 4.

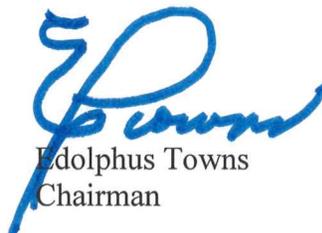
² See Department of Treasury, "MHA Program Servicer Performance Report," December 2009 at 5 available at <http://www.financialstability.gov/docs/report.pdf> (last accessed January 29, 2010).

Both the Government Accountability Office (GAO) and the Congressional Oversight Panel (COP)³ have found that Treasury has yet to embrace full transparency and accountability for its mortgage modification programs. For example, it is my understanding that Treasury has thus far refused to reveal in detail how it defines “net present value”, one of the key criteria for homeowner participation in the mortgage modification program. Moreover, if a homeowner is denied a permanent mortgage modification, the specific reasons for the denial are not revealed. Finally, Treasury has not established a process for homeowners to appeal the denial of a permanent mortgage modification.

As you are aware, the Committee on Oversight and Government Reform is the principal oversight committee in the U.S. House of Representatives, with investigative jurisdiction over “any matter”. The Committee is currently investigating federal home foreclosure mitigation efforts. To aid in our investigation, please submit information and documents listed in the attachment. It is my understanding that Treasury, along with Fannie Mae and Freddie Mac in their respective capacities as administrator and compliance agent of HAMP, in coordination with their principle regulator, the Federal Housing Finance Agency (FHFA), have all communicated agreement to Committee staff that Treasury will provide a response to this request on behalf of all parties.

Please deliver the requested information to the Committee on Oversight and Government Reform, room 2157 Rayburn House Office Building, no later than February 18, 2010, at 5:00 pm. Should you have any questions regarding this request, please contact Leah Perry or Jason Powell of the Committee staff at 202-225-5051.

Sincerely,



Edolphus Towns
Chairman

Attachment

cc: The Honorable Darrell Issa
Ranking Minority Member
Committee on Oversight and Government Reform

³ See Government Accountability Office, “Troubled Asset Relief Program: Treasury Actions Needed to Make the Home Affordable Modification Program More Transparent and Accountable,” GAO-09-0837, July 2009; and Congressional Oversight Panel, “October Oversight Report: An Assessment of Foreclosure Mitigation Efforts After Six Months,” October 9, 2009 at 5.

cc: The Honorable Edward DeMarco
Acting Director
Federal Housing Finance Agency
1700 G Street, NW
4th Floor
Washington, DC 20552

Mr. Michael J. Williams
President and Chief Executive Officer
Fannie Mae
Corporate Headquarters
3900 Wisconsin Avenue, NW
Washington, DC 20016-2892

Mr. Charles E. "Ed" Haldeman, Jr.
Chief Executive Officer
Freddie Mac
8200 Jones Branch Drive
McLean, VA 22102-3110

Ms. Phyllis Caldwell
Chief
Homeownership Prevention Office
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Information Request

Please provide the following information:

1. The number of trial modifications by month, from January 2009 to the present. Please do not submit such information based upon cumulative monthly totals.
2. The number of trial modifications that are for a duration of 1 month, 2 months, 3 months, 4 months, 5 months, 6 months, and 7 months or longer. Please provide such information by month from January 2009 to the present. Please do not submit such information based upon cumulative monthly totals.
3. The number of trial modifications that have failed to be converted to permanent modifications based upon the initial three month trial modification period versus the five month trial modification period. Please provide such information by month from January 2009 to the present. Please do not submit such information based upon cumulative monthly totals.
4. The number of permanent modifications by month, from January 2009 to the present. Please do not submit such information based upon cumulative monthly totals.
5. The number of trial modifications and permanent modifications among GSE serviced loans versus non-GSE loans. Please provide such information by month, from January 2009 to the present. Please do not submit such information based upon cumulative monthly totals.
6. The criteria used to determine whether an applicant may participate in a trial modification.
7. The criteria used to determine whether an applicant may be granted a permanent modification.
8. A complete and detailed definition of the term "Net Present Value" as used in the mortgage modification process and a copy of the White Paper detailing the Net Present Value (NPV) process under MHA.
9. The exact date that Treasury plans to publically disclose information concerning the Net Present Value process to the public and the information that will be disclosed.
10. A list of all information that Treasury requires to be included in the notification to a homeowner of a denial of an application for a trial modification and for a denial of a permanent modification.
11. What process has been established for a homeowner to appeal the denial of a trial modification or permanent modification? If there is no such appeal process, please provide a detailed explanation.

12. The re-default rate of home loans after trial modification and permanent modification. Please submit the re-default rates by lender, the type of modification (trial or permanent), and the reason for default. Please provide such information by month, from January 2009 to the present.
13. The number of “in-house” staff and the number of contracted staff working in Fannie Mae’s division that administers the Making Home Affordable (MHA) program. Please also include the type of contract, the associated dollar value of each contract, and the type of work provided by such contractors from 2009 to present. Please include information detailing whether a solicitation was issued for the contract and if so, the number of bids, name of each entity submitting a bid, and a copy of each related proposal that was submitted. Please also detail whether any precautionary measures were taken to ensure proper firewalls were developed to restrict the flow of information between the contractor and in-house staff at Fannie Mae’s division that applies loss mitigation tools for its GSE loans.
14. The number of in-house staff and the number of contracted staff working in Freddie Mac’s division that ensures compliance with MHA. Please also include the type of contract, the associated dollar value of each contract, and the type of work provided by such contractors from 2009 to present. Please include information detailing whether a solicitation was issued for the contract and if so, the number of bids, name of each entity submitting a bid, and a copy of each related proposal that was submitted. Please also detail whether any precautionary measures were taken to ensure proper firewalls were developed to restrict the flow of information between the contractor and in-house staff at Freddie Mac’s division that applies loss mitigation tools for its GSE loans.
15. Please provide information concerning exactly which agency/entity ensures proper administration and compliance of Fannie Mae and Freddie Mac’s application of MHA in modifying its GSE loans.
16. Please provide information related to the Second Look Program and, specifically, Freddie Mac’s Making Home Affordable Compliance division and Treasury’s Home Ownership Preservation (HOP) division concerning the following:
 - a. The number of individual borrower files reviewed by in-house staff. Please provide such information by month, from January 2009 to the present. Please do not submit information based upon cumulative totals.
 - b. The number of individual borrower files reviewed by contracted staff, if any, the name of the corresponding company, and the type of work performed. Please provide such information by month, from January 2009 to the present. Please do not submit information based upon cumulative totals.

- c. The borrower files reviewed according to servicer. Please provide such information by month, from January 2009 to the present. Please do not submit information based upon cumulative totals.
- d. The reason that each file review was performed. For instance, was the review initiated by legal complaints filed by homeowners or referred directly by Fannie Mae or a Federal agency?
- e. The length of time for each file review.
- f. The result of each file review and whether it was referred to Treasury. If the matter was referred to Treasury, please provide the length of time taken by Treasury to review the matter, the actions taken by Treasury to resolve the matter concerned, and the status of the current issue. Please provide information detailing whether Treasury hired contractors at any time to assist in resolving the matter concerned, and if so, please submit the solicitation issued (if any), the type of contract, the proposal (if any) submitted by prospective contractors, the cost of the contract, the corresponding contract entered into with the entity, and the number of contracted staff hired to perform such work.
- g. The number of field reviews performed by in-house staff. Please provide such information by month, from January 2009 to the present. Please do not submit information based upon cumulative totals.
- h. The number of field reviews performed by contracted staff, if any, the name of the corresponding company and the type of work performed. Please provide such information by month, from January 2009 to the present. Please do not submit information based upon cumulative totals.
- i. The number of field reviews performed according to servicer. Please provide such information by month, from January 2009 to the present. Please do not submit information based upon cumulative totals.
- j. The reason that each field review was performed. For instance, was the review initiated by legal complaints filed by homeowners or referred directly by Fannie Mae or a Federal Agency?
- k. The length of time for each field review.
- l. The result of each field review and whether it was referred to Treasury. If the matter was referred to Treasury, please provide the length of time taken by Treasury to review the matter, the actions taken by Treasury to resolve the matter concerned, and the status of the current issue. Please provide information detailing whether Treasury hired contractors at any time to assist in resolving the matter concerned, and if so, please submit the solicitation issued (if any), the type of contract, the proposal (if any) submitted by prospective contractors, the cost of

the contract, the corresponding contract entered into with the entity, and the number of contracted staff hired to perform such work.

- m. The number of “target reviews” performed by in-house staff. Please provide such information by month, from January 2009 to the present. Please do not submit information based upon cumulative totals.
 - n. The number of target reviews performed by contracted staff, if any, the name of the corresponding company and the type of work performed. Please provide such information by month, from January 2009 to the present. Please do not submit information based upon cumulative totals.
 - o. The target reviews performed according to servicer. Please provide such information by month, from January 2009 to the present. Please do not submit information based upon cumulative totals.
 - p. The reason that each target review was performed. For instance, was it initiated by legal complaints filed by homeowners or referred directly by Fannie Mae or a Federal agency?
 - q. The length of time for each target review;
 - r. The result of each target review and whether it was referred to Treasury. If the matter was referred to Treasury, please provide the length of time taken by Treasury to review the matter, the actions taken by Treasury to resolve the matter concerned, and the status of the current issue. Please provide information detailing whether Treasury hired contractors at any time to assist in resolving the matter concerned, and if so, please submit the solicitation issued (if any), the type of contract, the proposal (if any) submitted by prospective contractors, the cost of the contract, the corresponding contract entered into with the entity, and the number of contracted staff hired to perform such work.
17. Please submit Freddie Mac’s Servicer Guide issued to the top 40 lending institutions detailing the MHA program.
18. Please submit Fannie Mae’s Servicer Guide issued by the HAMP Solution Center to all servicers.
19. Please provide information concerning Fannie Mae’s HAMP Solution Center specifically regarding the following:
- a. Scope of responsibilities;
 - b. The total number of in-house and contracted staff, respectively, by month, from January 2009 to the present. Please do not submit information based upon cumulative totals.

- c. Please also include the type of contract, the dollar value of each contract to provide such work, if any, and the type of work provided by such contractors from 2009 to present. Please include information detailing whether a solicitation was issued for the contract, and if so, the number of bids, name of each entity submitting a bid, and a copy of the related proposal that was submitted. Please also detail whether any precautionary measures were taken to ensure proper firewalls were developed to restrict the flow of information between the contractor and in-house staff at Fannie Mae's division that applies loss mitigation tools for its GSE loans.
20. The "Hope Hotline" – Please provide information detailing the number of in-house and contractual staff, respectively, by month, from January 2009 to the present. Please do not submit information based upon cumulative totals.
 - a. Please also include the type of contract, the dollar value of each contract, and the type of work provided by such contractors by month, from January 2009 to the present. Please include information detailing whether a solicitation was issued for the contract, and if so, the number of bids, name of each entity submitting a bid, and the related proposal that was submitted. Please also detail whether any precautionary measures were taken to ensure proper firewalls were developed to restrict the flow of information between the contractor and in-house staff at Fannie Mae's division that applies loss mitigation tools for its GSE loans. Please do not submit such information based upon cumulative monthly totals.
 - b. The types of phone calls received from homeowners concerning federally sponsored foreclosure prevention programs, by month, from January 2009 to the present.
 - c. According to the type of complaint made by caller, please provide information detailing whether the matter was referred to Treasury, and/or other individuals or units within Fannie or Freddie, and if so, which entity and division. Please provide such information by month, from January 2009 to the present. Please do not submit such information based upon cumulative monthly totals.
 - d. Number of 'Hope Hotline' contractors and 'in house' staff that are bilingual. Please also provide the number of phone calls received from non-English speaking homeowners concerning MHA.
21. A detailed explanation of each MHA denial code.
22. The goal set by Treasury and communicated to each servicer detailing the number of loans that they should have modified and/or otherwise mitigated, by month, from January 2009 to the present.
23. A copy of the Operational Metrics and related timeline for implementation.

24. A copy of the survey that Treasury submitted to each servicer concerning the implementation of MHA.
25. The results of the Home Affordable Refinance Program, Second Lien Program, Hope for Homeowners program, Short Sale/Deed in Lieu of program, Home Price Decline Protection Incentives program, and other foreclosure prevention tools offered through Treasury. Please provide information according to servicer participation, month and year of activity performed, and default rate. Please also submit information detailing whether measures were taken to make certain that activities related to these programs complied with the Fair Housing Act.
26. Please submit information detailing the exact compensation provided to Fannie Mae and Freddie Mac as administrator and compliance agent of MHA, respectively, and the role of the Federal Housing Finance Agency (FHFA) in negotiating compensation and/or related incentives. Please submit such information by month and year. Please do not submit information based upon cumulative monthly totals. Please also provide an explanation of how compensation was calculated.
27. The dollar amount of any incentive payments issued by Treasury to Fannie Mae and/or Freddie Mac, respectively for MHA, by month and year. Please also provide a detailed explanation of what specific metric, benchmark, and/or rationale on which any such incentive payment was based. Additionally, please describe any plans for future incentive payments to Fannie Mae or Freddie Mac and include the basis upon which those future payments will be made.
28. A list of all servicers offices where Freddie Mac's compliance staff are embedded on site. Please provide the number of embedded staff at each servicer by month, from January 2009 to the present. Please provide information detailing whether contractors were used at any time as embedded staff at a servicer, and if so, please submit the solicitation issued (if any), the type of contract, the proposal (if any) submitted by prospective contractors, the contract, the corresponding cost, and the number of contracted staff performing such function. Please provide an explanation as to why embedded staff were placed in the office of any and all servicers. For instance, did the compliance unit receive a higher volume of complaints on a specific matter related to failure to abide by MHA guidelines, and if so, what was the exact complaint? Who ultimately determines when and where to place embedded staff and/or contracted staff?
29. Measures taken to ensure servicers participating in MHA comply with Fair Housing Act obligations. Please provide data related to permanent and trial modifications, respectively, granted to homeowners, by race and gender, along with a detailed assessment of Fair Housing Act compliance as it relates to MHA activities. Please also include an account of all actions taken to remedy any Fair Housing Act compliance issues, by month, from January 2009 to the present..

30. Measures taken by Fannie Mae, Freddie Mac, and Treasury to ensure non-English speaking homeowners are provided with information relating to foreclosure prevention. Please submit such information categorized by each loss mitigation program offered by Treasury.