

July 28, 2009

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

The Honorable Shaun Donovan  
Secretary  
United States Department of Housing and Urban Development  
451 7th Street, SW  
Washington, DC 20410

The Honorable Lawrence Summers  
Director  
National Economic Council  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

Dear Secretary Geithner, Secretary Donovan, and Director Summers:

We, the undersigned U.S. Department of Housing and Urban Development (HUD)-approved housing counseling agencies, write to express our concerns about the implementation of the administration's Home Affordable Modification Program (HAMP). Our organizations represent the people and communities hardest hit by the foreclosure crisis, and we have been working on the frontlines to provide assistance to distressed homeowners. We provide to the community at no cost foreclosure prevention counseling sessions, workshops, and home rescue fairs, which bring together attorneys, housing counselors, loan servicers, and other community groups for a day-long event where families can receive free foreclosure prevention advice, information, and resources. Our housing counselors work with families through the entire foreclosure prevention process and beyond to help them regain their financial security. Our agencies are part of the National Council of La Raza (NCLR) Homeownership Network (NHN). NCLR is the largest national Hispanic civil rights and advocacy organization in the United States.

We applaud the administration for its efforts in developing the most comprehensive response to the foreclosure crisis to date. The Making Home Affordable program focuses on long-term solutions for borrowers in distress. NHN counselors have successfully secured trial-period loan modifications for many families under HAMP. However, there are thousands of other families who are stuck in the loan servicing system and have not been able to modify their loans. Many lost their homes to foreclosure while they were in the loan modification process. We appreciate your willingness to work with us to make this program more accessible and efficient. To that

end, we have outlined the challenges that NHN counselors are facing with HAMP and offer recommendations to improve the program.

NHN counselors have identified four main challenges:

- **Homeowners eligible for HAMP are losing their homes to foreclosure.** Many families have lost their home to foreclosure sale and days later received notice that their loan modification has been approved. For those who manage to get a loan modification prior to the foreclosure, they are obligated to pay thousands of dollars in legal fees that have accumulated before they can accept the loan modification. There is no process set up to halt the foreclosure process once homeowners submit their loan modification workout packet.
- **The loss mitigation process is not streamlined or transparent.** NHN counselors must fax client authorization forms and workout packets to servicers multiple times because they are told that the documents have not been received, even though counselors have received confirmation that faxes have gone through. Moreover, NHN counselors must wait 24 to 48 hours after they have submitted the client authorization form to speak with loss mitigation staff on behalf of their client. This process takes much longer when they must repeatedly fax the same documents.
- **The loan servicing industry still lacks capacity.** Despite efforts to increase staff support, there are strong indicators that servicers are still struggling to meet the growing demand for loss mitigation services. It is not uncommon for NHN counselors to wait between three and six months to receive a response from servicers after submitting a loan modification request or a workout packet. We are concerned about the mounting reports of dropped calls and unreturned messages by servicers. These delays can have real consequences.
- **Servicers are not offering loan modifications with principal forgiveness.** Under HAMP, if the interest rate reduction is not enough to make the mortgage payment affordable, then, at minimum, a portion of the principal will be placed at the end of the loan as a balloon to be paid when the house is sold or the mortgage is paid off. HAMP regulations encourage servicers to forgive principal but most servicers are not. NHN counselors have not had any servicer offer a loan modification with principal forgiveness under the HAMP program.

Given these difficulties, we offer the following recommendations:

- **Prohibit foreclosure during loss mitigation.** Due to the bottleneck of cases in the loss mitigation system, too many borrowers are slipping through the cracks. Servicers and investors should be prohibited from moving forward on a foreclosure while the case makes its way through the company's own loss mitigation system. Practically speaking, this means that the servicer would be prohibited from moving a case to its internal legal

department once a borrower submits a loan workout package to the loss mitigation department. This will improve the borrower's chances of understanding all workout options before excessive legal fees pile up or foreclosure proceedings begin.

- **Require servicers to implement a streamlined and transparent loss mitigation process.** Servicers should be required to accept an electronic version of client authorization forms and workout packets. Once the client authorization form and workout packet have been submitted, a loss mitigation staff person should be assigned to work on the loan modification and a hard copy or electronic letter should be sent to the borrower and housing counselor indicating that the workout packet is being reviewed. Leaving borrowers in the dark about their loan modification request increases stress on the family, the likelihood that they will abandon their home, and the chances that they will be lured in by a foreclosure rescue scam artist.
- **Encourage services to offer loan modifications with principal forgiveness.** Given the slow increase in property values and inflated home appraisals, many homeowners will have a difficult time building home equity, which could have provided for a secure retirement, higher education for their children, or savings for a financial emergency.
- **Offer short-term forbearance and rent-to-own options for borrowers who are temporarily unemployed or underemployed.** Borrowers who are temporarily unemployed or underemployed are not eligible for HAMP. A six- to nine-month forbearance or a rent-to-own option will give many families an opportunity to secure a job and resume paying their monthly mortgage payments. Having an owner-occupied home will also help stabilize home values in communities.
- **Urge servicers to create partnerships with HUD-approved housing counseling agencies and provide funding to support their foreclosure prevention services.** Families turn to our trusted community-based organizations for assistance. Housing counseling agencies work closely with borrowers through the entire loss mitigation process. Our organizations are struggling to provide services to all families in need. Unfortunately, many do not know about the free services available and are lured in by foreclosure rescue scams.

Again, we appreciate your willingness to work with us and we are available if you would like to discuss these issues in more detail. Should you have any questions, please contact Graciela Aponte, Legislative Analyst, Wealth-Building Policy Project, National Council of La Raza, at (202) 776-1578 or gaponte@nclr.org.

Sincerely,

Avenida Guadalupe Association, Inc., San Antonio, Texas  
Community Housing Resources of Arizona, Phoenix, Arizona  
Community Services of Nevada, Las Vegas, Nevada

Cuban American National Council, Inc, Miami, Florida  
Dalton-Whitfield Community Development Corporation, Dalton, Georgia  
Del Norte Neighborhood Development Corporation, Denver, Colorado  
East LA Community Corporation, Los Angeles, CA  
Economic Opportunity Agency of Washington County, Springdale, Arizona  
El Centro, Inc., Kansas City, Kansas  
El Concilio Community Center, Modesto California  
Hacienda CDC, Portland, Oregon  
HBC Services, Inc., West Allis, Wisconsin  
Hispanic Committee of Virginia, Falls Church, Virginia  
Housing For Nevada, Inc., Las Vegas, Nevada  
Housing Our Communities, Inc., Mesa, Arizona  
Housing & Education Alliance, Tampa, Florida  
La Fuerza Unida, Inc., Glen Cove, New York  
Lawrence Community Works, Inc., Lawrence, Massachusetts  
Montebello Housing Development Corporation, Montebello, California  
Neighborhood Christian Legal Clinic, Indianapolis, Indiana  
New Economics for Women, Los Angeles, California  
Self-Help Enterprises, Visalia, California  
Southwest Housing Solutions, Detroit, Michigan  
Southwest Key Programs, Austin, Texas  
Spanish American Committee, Cleveland, Ohio  
Spanish Coalition for Housing, Chicago, Illinois  
Tejano Center for Community Concerns, Houston, Texas  
The Resurrection Project, Chicago, Illinois  
United Community Center, Milwaukee, Wisconsin  
Visionary Home Builders, Stockton, CA  
YWCA El Paso del Norte Region, El Paso, Texas