HOPE NOW Executive Director Testifies Before Congress

Schwartz emphasizes numbers of ways homeowners have been helped and large numbers of foreclosures prevented

Washington D.C. (June 25, 2008) --- HOPE NOW Executive Director Faith Schwartz testified today before the House Financial Services Committee regarding the significant progress the mortgage industry has made in foreclosure prevention. Schwartz emphasized the dramatic increase in loan workouts, the alliance’s aggressive outreach and communications efforts, and the recent servicer guidelines adopted by all HOPE NOW members, which bring more transparency and clarity to the workout process. Since July 2007, HOPE NOW has helped keep 1.7 million homeowners in their homes and avoid foreclosure. Below is the full text of Schwartz’ testimony:

Testimony of Faith Schwartz on foreclosure prevention efforts on behalf of mortgage industry

Chairman Frank and Ranking Member Bacchus, thank you for the opportunity to testify today.

HOPE NOW is an unprecedented broad-based private industry collaboration among housing counselors, lenders, investors, and mortgage market participants that is achieving real results. The companies at this table are members of HOPE NOW. We have 26 servicers, representing over 90% of the subprime market and 70% of the prime market. We also have every HUD-approved counseling agency as members. Since last fall, we have been working aggressively to address the housing issues; the goal of HOPE NOW is to keep more people in their homes.

The result of these efforts culminated in the recently announced Servicing Guidelines:

1) Performance Measures and accountability: One of the most important components of the guidelines is that HOPE NOW servicers are committing to timelines to respond to homeowners and third party housing
counselors. These timelines represent a powerful commitment from servicers.

Servicers will:

- Respond to homeowners who have requested a loan work out request within 5 days
- Send homeowners an outline of key elements of the loss mitigation request evaluation process. (foreclosure prevention timeline and sample letters are submitted in written testimony)
- Status homeowners loans every 30 days
- Make homeowners affordability central to loss mitigation
- Communicate with homeowners an approval or denial within 45 days.

HOPE NOW servicers have agreed to adopt these guidelines within 60 days of their release.

2) Subordination of Second Liens: In accordance with investor guidelines, HOPE NOW servicers servicing second liens should re-subordinate their loans with respect to an existing first lien where the second lien holder’s position is not worsened as a result of a refinance or loan modification. This is to ensure that no homeowner loses the opportunity to keep his or her home when they 1) experience hardship, 2) submit information to stay in their home, 3) and can afford his or her home.

3) Solutions for Preventing Foreclosures: HOPE NOW servicers are committing to assisting homeowners through various foreclosure prevention options consistent with investor guidelines or approvals. Details of all relevant and available foreclosure prevention options are included in the servicer guidelines. This transparency around foreclosure prevention options is critical for homeowners, servicers and third parties for understanding all options that are available...

4) Commitment to Reporting: HOPE NOW servicers agree to track and report on performance to gauge industry progress towards reducing foreclosures and increasing options for distressed homeowners. From July 2007 through May 2008, nearly 1.7 million homeowners avoided foreclosure through loan workouts. Mortgage servicers helped approximately 170,000 homeowners in May 2008 alone. Subprime modification workouts have increased significantly as they now represent over half of all work outs, far above the 18% rate of modifications tracked in July, 07. Reporting on our progress is critical and we will continue to keep you updated on our efforts including more loan level reporting.

5) Communications and Outreach: Reaching homeowners in distress Servicers commit to early 1) contact for subprime ARM borrowers who are facing a reset, 2) comprehensive nationwide outreach letter campaign for all
“non-contact” borrowers who are 60 days or more delinquent, 3) support of local homeownership preservation workshops. These workshops put at-risk homeowners directly in contact with servicers and housing counselors. In 120 days, we have partnered on 14 events, reached over 5,700 borrowers. This weekend we are holding events in New Jersey where Senator Menendez with join HOPE NOW and Neighborworks America and in August we are holding several events in Massachusetts and Florida. I do want to thank Chairman Frank for agreeing to participate in our event at Gillette Stadium in Boston on August 12 where we will partner with the Federal Reserve Bank of Boston and Neighborworks America. Due to Servicers and counselors being present together at these events, many borrowers are offered solutions on the spot. The reactions of homeowners who have attended these events are overwhelmingly positive and we look forward to reaching even more borrowers. Some survey results from Homeowners are as follows: “It gave me hope that I will survive,” and “Without your help, we would have lost our home.”

Reaching “non-contact borrowers” remains a significant challenge For example, our nationwide HOPE NOW letter campaign to 60 days+ delinquent borrowers, 1.5 mm letters, averages a response rate of 20 percent. That means of the majority of non-contact borrowers remain at high risk of foreclosure. We ask this Committee and all policymakers to encourage their constituents to respond to these letters either by contacting their servicer, calling the Homeowner’s HOPE Hotline, 888-995-HOPE, or contacting a HUD-approved counseling agency.

To ensure that free, non-profit counseling be available for all homeowners in need, HOPE NOW has committed to pay a fee for foreclosure prevention counseling.

Conclusion
This is a serious committed effort that will continue until problems in the housing and mortgage markets abate. It is neither a silver bullet nor a magic solution but this effort will continue to complement the efforts of legislators and regulators as we work through the housing issues. We will also continue to be responsive and offer continuous improvement.

Thank you for inviting the HOPE NOW Alliance to testify today and I am happy to answer any questions you may have.

About HOPE NOW
HOPE NOW is an alliance of counselors, servicers, investors and other mortgage market participants. The Alliance maximizes outreach efforts to homeowners in
distress to help them stay in their homes and avoid foreclosure. Since the Alliance was created in July 2007 over 1.7 million homeowners have been aided through workouts or loan modifications. The members of this alliance recognize that by working together, they are more effective than they would be working independently. For more information on HOPE NOW, and to see the full membership of the alliance, please visit www.HOPENOW.com.

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