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ONE HUNDRED ELEVENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON THE JUDICIARY

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September 17, 2009

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

Dear Secretary Geithner:

As you may know, the Committee on the Judiciary is considering ways to respond to the mortgage foreclosure crisis. Among proposals under consideration is an amendment to the Bankruptcy Code to permit judicial modification of the rights of holders of claims secured only by a security interest in the debtor's principal residence. In effect, the amendment would authorize judicial modification of home mortgages, under certain circumstances.

To assess the need for this relief, we want to gauge the effectiveness of the Treasury Department's current foreclosure prevention and loss mitigation efforts over the past six months. To that end, we ask that you provide information regarding the Department's efforts to facilitate modification of home mortgages, which we understand occurs only if the servicer voluntarily agrees to such modification. We realize that this timeframe covers a period preceding the date on which the Home Affordable Modification Program became effective on March 4, 2009.

Accordingly, please provide the following information on the current state of mortgage modifications performed through HAMP as well as other programs that may be employed by mortgage servicers for the past six months on a monthly basis:

1. The total number of mortgages modified for each month and a breakdown as follows:
 - a. loan type, e.g., prime, subprime;
 - b. loan owner, e.g., private investor, servicer, Fannie Mae, or Freddie Mac; and
 - c. loan amount.

2. The type of modifications and the outcome for the homeowner as a result of the modifications, with appropriate breakdown of the data, including:
 - a. the amount by which the interest rate was reduced;
 - b. the amount and percentage by which the principal was reduced or increased, including
 - i. the number of such modifications where the principal balance was reduced by 5% or more;
 - ii. the number of such modifications where the principal balance was increased by 5% or more; and
 - c. the number of years by which the mortgage term was extended. In addition, please provide:
3. The number of modifications where the interest rate was changed from adjustable to fixed.
4. Whether any time limits apply to these modifications.
5. The number of such modifications that resulted in a reduced monthly payment.
6. The number of such modifications that resulted in an increased monthly payment.
7. The number of mortgages that were more than 60 days delinquent.
8. The number of mortgages that were more than 90 days delinquent.
9. With respect to modified mortgages that subsequently defaulted for each month:
 - a. the number of such mortgages where the modification reduced the principal balance;
 - b. the number of such mortgages where the modification increased the principal balance;
 - c. the number of such mortgages where the modification reduced the interest rate;

- d. the number of such mortgages where the modification increased the monthly payment; and
 - e. the number of such mortgages where the modification involved arrear capitalization.
- 10. For each of the last six months, please provide the following information:
 - a. the number of individuals who applied for a mortgage modification;
 - b. the number of pending modification applications;
 - c. the number of modification applications acted on in the month;
 - d. the number of modification applications approved in the month; and
 - e. the number of modification applications disapproved in the month.
- 11. The average length of time from the date on which a completed application for a modification is submitted until final disposition of such application for each of the last six months.
- 12. For each of the last six months, the number of modification applications rejected because of the presence of one or more junior liens.
- 13. Please describe what types of tax information or warnings, if any, are provided to homeowners when they request mortgage modifications concerning the tax effects of such modifications.
- 14. Please identify the principal reasons why mortgage modifications are rejected by homeowners.
- 15. Please identify the principal reasons why mortgage modification applications are disapproved.
- 16. With respect to HAMP, please provide an explanation of the net present value (NPV) test and the criteria lenders use in applying this test.

17. We are advised that applications of the NPV test can vary by lender. Please identify each specific way in which the NPV model can vary by lender, along with the justification for allowing a lender to customize its model through this variable.
18. We are advised that lenders are given discretion to reject modifications, regardless of the outcome of the NPV test and other program criteria, in particular circumstances, such as when a homeowner is in bankruptcy. Please confirm whether this is in fact the case. If so, please identify each specific circumstance in which such discretion exists, along with the justification for such discretion.
19. We are advised that participating HAMP lenders do not provide their respective approval and rejection formula to homeowners trying to comply with the HAMP application requirements. Please confirm whether this is in fact the case. If so, please explain why this practice is allowed to occur.
20. Please provide the data that the Treasury Department relied on to develop its initial estimate of the number of borrowers who would receive modifications under HAMP and any data that the Department has relied on or will rely on to refine its initial estimate.
21. Please detail the extent of efforts by the Treasury Department, and other agencies if applicable, to oversee lenders' modification decisions and adherence to HAMP requirements, including but not limited to the NPV test. Please identify the number of full-time employees of the Treasury Department dedicated to such oversight.
22. Please list in specific detail the data and information that lenders participating in HAMP are required to provide to the Treasury Department.

We ask that you provide the requested information to us by October 15, 2009. Responses and any questions should be directed to the Judiciary Committee office, 2138 Rayburn House Office Building, Washington, DC 20515 (tel: 202-225-3951; fax: 202-225-7680).

Thank you for your cooperation in this matter.

Sincerely,

John Longenecker

Charles A. Fogarty

Brian

Debbie Wasserman Schultz

Rico Nakant

Steve Cohen

Howard Stern

Frank Johnson

Chris Schiff

Shelley Boyce

Zoe Lofgren

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