

Testimony of Eric J. Schuppenhauer
JPMorgan Chase & Co.
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Introduction

Chairman Issa, Ranking Member Cummings, and Members of the Committee, thank you for inviting me to appear before you today—it's a pleasure to join you in Congressman Towns' district. My name is Eric Schuppenhauer, and I am the Senior Vice President for Mortgage Banking Core Servicing and Borrower Assistance at JPMorgan Chase & Co. I am thankful for the opportunity to discuss Chase's activities over the last two years to enhance our foreclosure prevention efforts.

We understand the challenges Americans continue to face in the current economic climate. That's why we are committed to doing all we can to help keep families in their homes and to work with borrowers in need. We have expanded our foreclosure prevention programs and significantly increased the number of borrowers who benefit from loan modifications and other forms of borrower assistance. These efforts have yielded results—we are currently preventing foreclosures at a rate of two to one nationwide. While we have seen promising results, there is still much more work to do.

Chase services approximately 8 million mortgages nationwide totaling \$1.1 trillion in outstanding mortgages to American homeowners. We have a large footprint in New York State, servicing nearly 600,000 mortgages in the state and close to a million in the tri-state area. As a mortgage servicer, we are responsible for administering loans – for example, we send monthly statements to borrowers, collect payments, and pay property taxes. We service loans on behalf

of the owner of the loan, which sometimes is Chase itself, but more often is someone else – a government-sponsored enterprise (GSE) (such as Fannie Mae or Freddie Mac), a government agency (such as the Federal Housing Administration (FHA) or the Department of Veterans Affairs (VA)), a securitized trust, or another private investor.

In my testimony, I will discuss enhancements Chase has made in our foreclosure prevention efforts.

Chase's Investment in Foreclosure Prevention

Even as the economy recovers, we understand that many American homeowners continue to face economic hardship, and we are committed to working with borrowers in need to prevent foreclosures and keep families in their homes. As part of that commitment, we offer several foreclosure prevention programs designed to provide sustainable solutions to borrowers.

From January 2009 through December 2011, we prevented over 775,000 foreclosures nationwide. Our efforts over the last three years have resulted in over 450,000 permanent modifications for homeowners under the Home Affordable Modification Program (HAMP), Chase's own proprietary modification programs, and modification programs offered by Fannie Mae, Freddie Mac, FHA, and the VA. We also have approved and closed over 165,000 short sales to borrowers.

We have made significant investments in personnel and resources to make sure we are able to communicate with homeowners early in a delinquency to come up with the right solutions. We have added more than 10,000 employees to our Borrower Assistance operations, which is nearly double the staff we had in 2008, and we have restructured our operations to

ensure that borrowers are able to work with our employees to find the right alternative to foreclosure.

Proactively reaching out and connecting with borrowers and helping them evaluate their foreclosure prevention options has been the key to successful borrower assistance. Most borrowers will hear from us by the time they are 15 days late on their mortgage payment. When an account is delinquent, we make repeated attempts to contact the borrower by letter and phone to talk about the borrower's situation, identify solutions and provide information about foreclosure prevention options. During these outreach efforts, we provide borrowers with information in plain language that describes HAMP and other available options to help get their loan back on track and keep them in their homes or, if continuing to own a home is simply not sustainable, leave through a process other than foreclosure.

When a borrower responds to our outreach efforts and seeks assistance, he or she is assigned to a dedicated Customer Assistance Specialist, who serves as the "single point of contact" for the borrower throughout the delinquency, borrower assistance and foreclosure processes. We have over 3,000 Customer Assistance Specialists ready to help borrowers avoid foreclosure.

We also now have 82 Chase Homeownership Centers, which are located across 28 states and within driving distance of 70% of Chase borrowers who have missed a payment. We have 28 trained counselors at four Centers in New York City, including here in Brooklyn, as well as in the Bronx, Queens and Hauppauge. Through these Centers, we are able to meet face-to-face with homeowners and offer assistance. We staff all Homeownership Centers with employees trained to help borrowers understand their options, evaluate their eligibility under our various

foreclosure prevention programs, and finalize and submit modification applications. Since 2009, our trained advisors have met with over 185,000 borrowers at our Homeownership Centers across the nation.

To supplement the personalized approach of the Homeownership Centers, our Homeownership Preservation Office has partnered with nearly 800 HUD-approved housing counseling groups like HOPE NOW, NACA, NeighborWorks, state housing agencies and local non-profit organizations across the country to host more than 1,800 local multi-day outreach events nationwide, where we have additionally provided assistance to over 88,000 customers. In addition, we host our own outreach events where we work side-by-side with borrowers and community partners. In fact, we have an event scheduled at the Brooklyn Bridge Marriott April 12 through April 15.

Homeownership Assistance Solutions

Chase has an extensive and growing portfolio of modification options designed to help borrowers stay in their homes by making their monthly mortgage payments more affordable.

One of the modification options available to borrowers is HAMP. To date, we have offered HAMP trial plans to more than 350,000 borrowers and have over 125,000 borrowers in active permanent HAMP modification plans through January 2012, which places us second among all servicers. In addition, we have successfully transitioned over half of all borrowers who started a HAMP trial modification plan into a permanent modification, a success rate that is consistent with other major servicers. Borrowers who are not eligible for HAMP are evaluated for other modification options. In fact, we have helped almost twice as many families avoid

foreclosure through modifications outside of government programs, including Chase-developed modification programs.

One of the biggest issues affecting borrowers today is the high rate of unemployment and underemployment. For unemployed homeowners suffering a short-term financial setback, we offer a number of short-term relief options while they get back on their feet. One of those options is the Home Affordable Unemployment Program, which provides temporary relief to homeowners who have lost their jobs. Chase offers our own forbearance plans for borrowers who experience a short-term financial hardship due to a medical condition, disability, death or divorce.

We also are helping borrowers in need of relief on their second lien mortgages obtain assistance as part of the Treasury Department's Making Home Affordable program as well as through Chase's own programs. Under the Second Lien Modification Program (2MP), Chase agrees to modify or reduce principal on qualified second lien mortgages if the borrower has received a permanent modification of their first lien mortgage under HAMP. Chase has modified or reduced principal on over 15,000 second mortgages through 2MP.

Chase is an active participant in the Treasury Department's Hardest Hit Fund (HHF), which provides mortgage payment relief to eligible borrowers in the 18 states (as well as Washington, D.C.) with the highest foreclosure rates. HHF helps borrowers catch up on their missed payments and reinstate their accounts, and provides up to 36 months' worth of monthly mortgage payments for qualified unemployed borrowers. State housing agencies responsible for administering the funds have provided close to 5,000 referrals to Chase as part of their HHF programs.

Chase also participates in HUD's Emergency Homeowners Loan Program (EHLPP), which supplements the HHF by assisting borrowers in the 32 states that have not received HHF funding. The program provides mortgage payment relief to qualified borrowers who have experienced short-term financial hardship due to adverse economic or medical conditions. Chase has received over 1,300 EHLPP referrals from state housing agencies as part of the program.

To help those borrowers who are current on their payments take advantage of historically low interest rates, we also offer a number of refinance programs that help lower monthly payments. These programs include the Home Affordable Refinance Program (HARP) for loans owned by Fannie Mae or Freddie Mac.

Alternative Solutions

For a variety of reasons, loan modifications are not always a feasible solution. Borrowers who cannot afford their homes, even if their monthly payments are substantially reduced, need other solutions. So in addition to loan modifications, Chase offers borrowers other options to avoid foreclosure.

A short sale is one option for borrowers who do not qualify for a loan modification but who still are interested in avoiding foreclosure. In April 2010, Chase created a program called "List Assist" to reduce the amount of time it takes to approve a short sale. We proactively reach out to delinquent borrowers who have already listed their homes for sale or who have been denied a loan modification, in order to initiate a streamlined short sale evaluation process with them. Under List Assist, our aim is to approve a short sale offer in under 30 days, thus avoiding many of the delays that have frustrated homeowners in the past.

Chase also created the Short Sale Accelerator program, which is an ongoing borrower solicitation campaign that offers cash incentives to borrowers whose home values have declined and who agree to a short sale of their property. The program offers borrowers who complete a short sale a cash payment of between \$3,000 and \$45,000 designed to help the borrower relocate to new housing.

Chase also participates in the Treasury Department's Home Affordable Foreclosure Alternative (HAFA) program. Chase is a leading HAFA participant – according to the Treasury's most recent Making Home Affordable Program Performance Report, Chase has initiated and completed 37% of all HAFA short sales, more than any other mortgage servicer.

In February 2012, Chase and four other mortgage servicers reached an agreement-in-principle with state Attorneys General and federal agencies relating to the servicing and origination of loans. As part of the settlement, Chase agreed to provide over \$3.5 billion in relief to borrowers, including first and second lien principal reduction modifications for borrowers in default, and over \$500 million in refinancing to underwater borrowers who are current on their loans. The programs established under the settlement will supplement our existing loan modification and other foreclosure alternative programs, and provide additional opportunities to give relief to borrowers struggling to make their mortgage payments.

We are committed to implementing the settlement provisions in a rapid manner and we will continue to develop and implement innovative programs to help borrowers.

The Last Resort

At Chase, we understand that keeping people in their homes is good for everyone – the borrower, the investor, the neighborhood, the housing market and the economy. That's why we

go to great lengths to help our customers who are struggling with their mortgage payments. Chase has substantial safeguards in place to ensure that foreclosures are truly a last resort and instituted fairly and only in appropriate cases. A loan gets referred to foreclosure only after we have made substantial attempts to provide the borrower with foreclosure alternatives. In the average case where we must foreclose, we make over 100 attempts to reach out to the borrower and communicate alternatives to foreclosure.

To try to ensure that a loan has exhausted all alternatives before it is referred to foreclosure, an independent foreclosure review is undertaken prior to foreclosure referral. The review is designed to ensure that the borrower is in fact in default and that Chase has complied with its own pre-referral policies. Another independent foreclosure review is completed three to four weeks before any scheduled foreclosure sale, and a final check is conducted 72 hours prior to the sale. We recognize that homes that go through foreclosure can bring down property values in a neighborhood and can contribute to community blight. To combat this troubling trend, we established the Chase Community Revitalization Program (CCRP), which helps turn Chase real estate owned (REO) properties into owner-occupied homes. Partnering with local non-profit organizations, municipalities, and the National Community Stabilization Trust, we have donated or sold at a discount close to 3,000 homes nationwide to non-profit organizations for community reinvestment.

Military Borrowers

Lastly, I would like to address a number of proactive steps Chase has taken over the last two years to better support our servicemember customers. We have strived to institute programs that meet the unique needs of servicemembers.

Chase is providing mortgage payment relief to our active-duty servicemember borrowers beyond what is required under the Servicemembers Civil Relief Act (SCRA). We have proactively lowered the effective mortgage rate for SCRA-eligible borrowers to 4% for the duration of the borrower's active duty status and for one year afterwards. This rate is 2% lower than the 6% rate currently required by the SCRA.

Chase also has implemented a special modification program for members of the military, under which they receive a 1% interest rate for the first 36 months of the modified loan after completing a trial payment plan. If the servicemember also has a second mortgage with us, that loan will receive the same interest rate reduction – 1% for 36 months. And for servicemembers who have already completed a loan modification with Chase prior to this program, we are lowering their interest rate automatically to 1% for 36 months as well.

We will not foreclose on any active duty, deployed military borrower and have enhanced our processes for ensuring that SCRA-eligible borrowers are protected from foreclosure.

We also believe it is critical to ensure that our servicemember customers have access to customer service representatives who understand their unique issues and can provide top quality service. Therefore, we have created a 24-hour hotline that is staffed by over 30 Chase employees who are trained on SCRA protections (60% of the supervisors are former military). We have also trained two employees in each of our existing 82 Chase Homeownership Centers on SCRA matters so that servicemembers and their families can have an opportunity to speak to a Chase representative face-to-face. In addition, six of our Homeownership Centers are specialized Military Homeownership Centers in cities near major military bases, offering

convenient access to one of our specially-trained employees for servicemembers in need of assistance. At these Centers, **all** of our employees are either former servicemembers or spouses of military personnel. In 2011, we hosted 10 additional outreach events near military bases in partnership with local non-profit organizations.

Chase understands that many servicemembers who return home after serving their country find it hard to pay their mortgages because they have a difficult time finding jobs while the economy is recovering. We have teamed up with over 30 corporate partners to launch the 100,000 Jobs Mission in March 2011, pledging to hire 100,000 transitioning military members and veterans by the end of 2020. We are currently hiring about 10 veterans every day, building on the 3,000 veterans we hired in 2011.

We are adopting additional safeguards for military personnel that go beyond SCRA protections, including special programs for servicemembers who receive Permanent Change of Station orders, regardless of whether they qualify for protection under the SCRA.

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Chase has worked hard over the last few years to enhance our servicing and borrower assistance programs to ensure that borrowers are given every opportunity to stay in their homes. We believe we have made progress, but there is much more work to do. Chase is committed to ensuring that every borrower is treated fairly and that we live up to the high standards we have set for ourselves. I would be happy to answer questions from the Committee.

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Eric J. Schuppenhauer is a Senior Vice President for Mortgage Banking Core Servicing and Borrower Assistance at Chase. He serves on the Executive Committee for Chase's consumer businesses and the Mortgage Banking Executive Committee.

Schuppenhauer's responsibilities include overseeing all components of Core Servicing and Borrower Assistance operations, including loan administration, financial and investor services, post closing, document custody, customer care centers, customer assistance specialists, borrower assistance operations and underwriting. Prior to this role, he was Chief Financial Officer for Mortgage Banking, where he was accountable for financial planning and analysis, financial controls and reporting, funding and capital planning, and business and financial advisory.

Prior to joining the Firm, Schuppenhauer served in a variety of financial services roles. He was a Senior Vice President at Fannie Mae, where his roles included leading Fannie Mae's National Servicing Organization and serving as Program Executive for the U.S. Treasury Department's Making Home Affordable program. He was also Chief Financial Officer for Fannie Mae's Single-Family business, leader of their Sarbanes-Oxley remediation efforts and a leader in their accounting policy group.

Earlier in his career, he served in leadership roles at KPMG LLP, Credit Suisse First Boston, and at the U.S. Securities and Exchange Commission.

Schuppenhauer has a Bachelor of Science in Commerce (accounting concentration) from the McIntire School of Commerce at the University of Virginia and is a Certified Public Accountant.

Schuppenhauer is married with two children.