



October 14, 2009

Treasury Secretary Timothy Geithner  
United States Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

Dear Secretary Geithner:

As a network of 52 faith-based community organizations and more than one-million families, PICO appreciated the opportunity to meet with Assistant Secretary Michael Barr and the team responsible for implementing the Home Affordable Mortgage Program (HAMP) on October 8.

HAMP represents a source of hope for many families in the 150 cities and towns in which our network is active, and for more than three million families facing foreclosure nationally. We recognize the progress that has been made in promoting loan modifications and commend the Department on reaching the mark of 487,000 trial modifications.

At the same time, we are painfully aware that many families who are eligible for HAMP are losing their homes to foreclosure; that the experience of families seeking modification under HAMP has often been enormously frustrating; and that many servicers, such as Bank of America and Well Fargo, which hold the largest number of eligible mortgages, have failed to offer modifications to more than a small fraction of eligible homeowners.

The scope of the problem still much outweighs the progress made so far. In the first round of foreclosures, an estimated three million are in this process and many were the victims of deceptive practices by mortgage companies and banks. We have now entered a second major round of foreclosure driven heavily by unemployment and also adjustable rate mortgages resetting upwards. This may mean more than ten million more homeowners facing foreclosure. The toll of the foreclosure crisis also hurts whole communities as we see deterioration in housing markets caused by run-down and abandoned homes and further declining property values.

Our agenda in meeting with Treasury officials on October 8 was to discuss ways of improving HAMP to bring more families into the loan modification program more quickly and with more sustainable modifications. Below are **six specific recommendations** we made in the meeting:

1. Stopping the entire foreclosure process, not just the foreclosure sales that happen at the end of the foreclosure process, when a loan modification is pending.
2. Increasing the number of principal reductions, which are allowable under HAMP, not just interest rate reductions, to make loan modifications more affordable and sustainable and so homeowners can rebuild some equity in their homes.
3. Making the Net Present Value (NPV) model used in determining loan modifications publicly available, and that borrowers must be given access to both the inputs to the model that were used for their NPV analysis and the outcome of that analysis.

4. Creating an independent appeals process to be run by the Department of Housing and Urban Development (HUD) of decisions on loan modifications by mortgage servicers.
5. Offering loan modifications that cover the life of the mortgage loan, not just five years.
6. Allowing a homeowner to apply for additional loan modifications under HAMP if their income drops due to unemployment, loss of work hours, or medical debt.

Treasury staff acknowledged that servicers continue to pursue foreclosure at the same time that people are applying for loan modification, and that principal reductions are an important tool to promote more sustainable loan modifications, enabling people to move when necessary and are therefore important to resuscitating the housing market and economy. Treasury staff also spoke about their efforts to establish a system to make the process of applying for a loan modification simpler and more transparent.

We appreciate the willingness of Treasury staff to participate in a series of ten community meetings in cities across the United States to discuss strategies for increasing the number of sustainable loan modifications. We also look forward to a follow up meeting with Assistant Secretary Barr to further discuss the specific recommendations we made in our October 8 meeting, including possible revisions to the servicer participation agreements, strategies to reduce principal on more loans, and steps to reduce the obstacles facing families applying to participate in HAMP. We will be in touch with Assistant Secretary Barr to arrange this follow up meeting and schedule the community meetings.

We also urge that the Administration support provisions contained in bills filed by Chairman Frank, Senators Reed, Durbin, Merkley and Whitehouse, and Congresswoman Waters, which prohibit banks/servicers to proceed with a foreclosure when a loan modification request is pending; provide loans to unemployed homeowners facing foreclosure; and increase funding for counseling and mediation efforts to prevent foreclosure.

We look forward to working with Treasury on these issues and know that the commitment of Treasury staff to meet and listen to community and faith-based organizations and homeowners will lead to a better program and a stronger housing market and overall economy.

Sincerely,



Rev. Lucy Kolin  
On behalf of PICO National Network

cc: HUD Secretary Shaun Donovan  
Chairman Barney Frank, House Financial Services Committee  
Chairman Chris Dodd, Senate Banking Committee  
Michael Barr, Assistant Secretary for Financial Institutions  
Peter Swire, White House National Economic Council