



August 29, 2008

The Honorable Barney Frank  
Chairman  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Maxine Waters  
Chairwoman  
House Financial Services Subcommittee on  
Housing and Community Opportunity  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Melvin Watt  
Chairman  
House Financial Services Subcommittee on  
Oversight and Investigations  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Brad Miller  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Frank, Chairwoman Waters, Chairman Watt, and Congressman Miller:

Thank you for asking for CBA's input on the Hope for Homeowners Program. We agree with your letter that borrowers who qualify for the Hope for Homeowners Program should begin to benefit with a minimum of delay. Our members who service loans have been working at an enhanced pace to respond to the needs of those who are delinquent and at risk of foreclosure, and this additional tool will undoubtedly provide another outlet for those most at risk. October 1 is fast approaching, but there is much work to be done to prepare and we need to begin immediately. Of course, we do not yet have the final regulations, but there are some steps servicers can take in anticipation of final rulemaking.

The HOPE NOW coalition, to which CBA belongs, reports that over 2 million foreclosures prevented since July 2007 through the use of repayment plans and loan modifications by members, and that a record-high number of homeowners were helped last month. This is due to the concerted effort of the participants, along with governments, nonprofits and consumers. We have attached the most recent release describing the coalition's progress. We believe still more needs to be done, and the Hope for Homeowners Program will be one more valuable method available to servicers who are dealing with loans that qualify for the program and consumers who would benefit thereby. In response to your specific questions:

*Will you be using the next few months to review loan documents, contact borrowers and forbear foreclosure for those that may qualify?*

Servicers will continue their efforts to prevent foreclosures in the coming months and will take what steps they can to anticipate the final regulations under Hope for Homeowners. Some borrowers will almost certainly not qualify under the statutory requirements (for example, loans

entered into after January 1, 2008 or loans secured by other than a primary dwelling), and servicers can begin to draw broad distinctions at this time. But beyond those broad categories, they will have to await the regulations to know with any certainty which borrowers would be eligible. We will insure that our member servicers are made aware of the new resources provided by the Hope for Homeowners Program; and we expect they will take steps to anticipate the use of the program prior to its implementation. Though the program is voluntary, it will undoubtedly provide servicers with one more useful tool.

*Do you anticipate making the principal reductions necessary to qualify for refinancing at-risk borrowers into the Hope for Homeowners Program?*

As you have noted, principal reductions are less attractive to servicers and investors than repayment plans and loan modifications that do not reduce the principal. In some cases modifying the rate or the loan term can save the home and benefit the homeowner without the need for principal reduction. Nevertheless, the Hope for Homeowners Program is a valuable additional resource, and we anticipate that servicers will make use of it for qualified at-risk borrowers, when other alternatives do not prove satisfactory. Additional factors may affect the servicers' participation on a case-by-case basis. These include the need to obtain the approval of the second-lien holder, the involvement of the investor in the case of securitized loans, and the responsiveness and involvement of the borrower. One obstacle that many servicers continue to report, for example, is the reluctance of some homeowners to respond to their overtures so they can participate in work outs and loan modifications. However, the industry is working hard to overcome this and improve their communications with homeowners.

*Do your servicing practices provide that a previous loan modification would not disqualify a borrower from the principal modifications required by the Hope Program?*

We have no reason to believe that CBA members would automatically disqualify a borrower from participation in the Hope for Homeowners Program merely because they engaged in previous loan modifications. It is not unusual for servicers to work repeatedly with borrowers who are unable to meet their repayment terms because subsequent events make it hard for the borrower to continue to meet the new terms, and we do not think that this situation is fundamentally different in that regard. Of course, borrowers who are currently able to meet their repayment terms, and are not at risk of foreclosure, where those terms are based on a previous work out arrangement, would presumably not qualify for the Hope for Homeowners Program. Other than that, we do not anticipate that they will be barred from participation if they otherwise qualify.

Thank you for your interest. If you have any further questions, please do not hesitate to contact us.

Sincerely,

Joe Belew  
President

Steven Zeisel  
Vice President & Senior Counsel