

United States House of Representatives
Committee on Financial Services
Washington, DC 20515-6050

June 20, 2011

The Honorable Timothy Geithner
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

Dear Secretary Geithner:

As we have expressed in previous correspondence with you and in hearings before our respective committees, we remain concerned that transparency and accountability be given the highest priority throughout the government, especially in an agency as powerful and important as the Consumer Financial Protection Bureau (CFPB). Elizabeth Warren has testified twice before House subcommittees this year about the new CFPB's responsibilities and operations. In each hearing, she downplayed the CFPB's involvement in negotiations between mortgage servicers and state and Federal authorities to settle allegations of irregularities in the foreclosure process. Her testimony that the CFPB's role was limited to responding to requests for "advice" seems inconsistent with documentation reflecting CFPB's active participation in – and orchestration of – the ongoing settlement discussions. The American people have a right to know the CFPB's true role in these negotiations.

Because previous requests for documents and records were rebuffed, we are writing to request documents and records related to the CFPB's role in the mortgage servicing settlement negotiations.¹ Last week, Judicial Watch, a nonpartisan public interest group that investigates government corruption,² uncovered e-mails, meeting minutes, and other records that show, among other things, that Ms. Warren initiated and led "emergency meetings" with state attorneys general that her office insisted remain a secret.³ The release of these documents makes the case for Congressional oversight even more pressing.

On March 16, 2011, Ms. Warren testified before the House Financial Services Subcommittee on Financial Institutions and Consumer Credit on the CFPB's activities and operations. At that hearing, Chairman Bachus specifically asked whether the CFPB had "participated in the foreclosure settlement discussions with the banks."⁴ Ms. Warren repeatedly declined to acknowledge that the CFPB, "a division of the Treasury," participated in foreclosure settlement negotiations, responding only that the CFPB had provided "advice" to Federal officials when asked to provide "expertise."⁵ At a subsequent

¹ Letter from Kim N. Wallace, Assistant Secretary, Legislative Affairs, Department of the Treasury, to Representative Shelley Moore Capito (June 11, 2011).

² See Judicial Watch, About Us, available at <http://www.judicialwatch.org/>.

³ Judicial Watch, "Documents Uncovered by Judicial Watch Show Intervention by New, Controversial Federal Agency in Foreclosure Crisis Negotiation," June 16, 2011, available at <http://www.judicialwatch.org/news/2011/jun/documents-uncovered-judicial-watch-show-intervention-new-controversial-federal-agency-> ("Judicial Watch Release").

⁴ Hearing of the Committee on Financial Services Subcommittee on Financial Institutions and Consumer Credit Subcommittee, "Oversight of the Consumer Financial Protection Bureau," March 16, 2011, video available at <http://financialservices.house.gov/Calendar/EventSingle.aspx?EventID=231781>

⁵ *Id.*

The Honorable Timothy Geithner

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June 20, 2011

hearing on May 24, 2011, before the House Oversight and Government Reform Subcommittee on TARP, Financial Services and Bailouts of Public and Private Programs she reiterated: "the Secretary of the Treasury asked for advice, and we gave advice ... [A]t his instruction, we gave advice to other Federal agencies, and we gave advice where asked."⁶

When Chairman Bachus and Financial Institutions Subcommittee Chairman Capito asked Ms. Warren on March 30, 2011, if there were any aspects of her testimony that she wished to clarify or correct, Ms. Warren declined to do so. Instead, her senior spokesperson sent a press release that offered the media, "on background, for informational purposes" the Merriam-Webster's definition of "advice."⁷ And in a letter dated April 4, 2011, Ms. Warren again said: "Secretary Geithner, the Justice Department, and other officials have asked the consumer agency to provide advice on this matter."⁸

It appears that the CFPB has been deeply involved in the mortgage servicing settlement negotiations and that its role goes far beyond the mere offering of "advice," under the Merriam-Webster's definition or any other reasonable interpretation of that term. First, the evidence came from a document (*attached*) bearing the CFPB's name and titled, "Perspectives on Settlement Alternatives in Mortgage Servicing" ("CFPB Settlement Presentation"). That CFPB Settlement Presentation recommended goals; provided a detailed framework for the structure of a settlement; advanced the idea that a "global" settlement is a vehicle for "broad reform" of mortgage servicing practices; and offered suggestions for monetary penalties. The release of the documents found by Judicial Watch raises additional questions about what role the CFPB played in these settlement discussions.

Accordingly, so that our Committees can fulfill our oversight responsibilities, we request that the CFPB produce the following information in unredacted form:

All documents and communications between Elizabeth Warren or the CFPB and any State Attorney General, representative of any State Attorney General, and any federal agency or mortgage servicer, or any other potentially interested party, including plaintiffs' attorneys preparing class action lawsuits, referring or reacting to mortgage servicing, foreclosures, or a possible settlement involving State Attorneys General from September 2010- present, relating in whole or in part to mortgage servicing or foreclosures or a possible settlement involving State Attorneys General from September 2010- present.

⁶ Hearing of the Committee on Oversight and Government Reform Subcommittee on TARP, Financial Services, and Bailouts of Public and Private programs, "Who's Watching the Watchmen? Oversight of the Consumer Financial Protection Bureau," May 24, 2011, *video available at* http://oversight.house.gov/index.php?option=com_content&view=article&id=1297%3A5-24-2011-qwhos-watching-the-watchmen-oversight-of-the-consumer-financial-protection-bureau&catid=34&Itemid=39.

⁷ Email from Jennifer Howard, Consumer Financial Protection Bureau, to mailing list (Mar. 30, 2011). Email on file with author.

⁸ Letter from Elizabeth Warren, Special Adviser to the Secretary of the Treasury to Representatives Spencer Bachus and Shelley Moore Capito (April 4, 2011).

The Honorable Timothy Geithner

Page 3

June 20, 2011

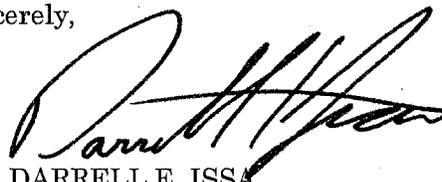
An attachment to this letter provides additional information about responding to this request. We request that you provide these materials as soon as possible, but no later than 5:00 pm on Tuesday, July 5, 2011. When producing documents to the Oversight Committee, please deliver production sets to the Majority Staff in Room 2157 of the Rayburn House Office Building and to the Minority Staff in Room 2471 of the Rayburn House Office Building. When producing documents to the Financial Services Committee, please deliver production sets to the Majority Staff in Room 2129 of the Rayburn House Office Building and to the Minority Staff in Room B-301C of the Rayburn House Office Building. We prefer, if possible, to receive all documents in electronic format.

If you have any questions about this request, please contact Ryan Hambleton of the Oversight Committee Staff at (202) 225- 5074 and Michael Borden of the Financial Services Committee Staff at (202) 225-7502. Thank you for your attention to this matter.

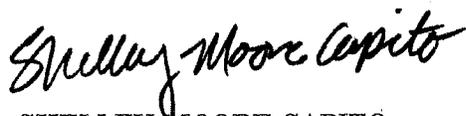
Sincerely,



SPENCER BACHUS
Chairman
Committee on Financial Services



DARRELL E. ISSA
Chairman
Committee on Oversight and
Government Reform



SHELLEY MOORE CAPITO
Chairman
Subcommittee on Financial Institutions
and Consumer Credit



SCOTT GARRETT
Chairman
Subcommittee on Capital Markets and
Government Sponsored Enterprises



PATRICK MCHENRY
Chairman
Subcommittee on TARP, Financial Services
and Bailouts of Public and Private
Programs



RANDY NEUGEBAUER
Chairman
Subcommittee on Oversight and
Investigations

cc: Elizabeth Warren, Assistant to the President and Special Advisor to the Secretary of the Treasury
The Honorable Barney Frank

Enclosure

CONSUMER FINANCIAL PROTECTION BUREAU



Perspectives on Settlement Alternatives in Mortgage Servicing

Discussion document

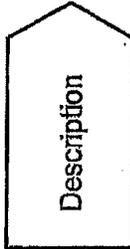
February 14, 2011

DRAFT—CONFIDENTIAL FOR AG MILLER

The prospect of a "global" settlement provides the potential for broad reform.

MORTGAGE SERVICING SETTLEMENT IN CONTEXT

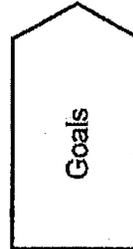
Enabled by a Settlement



- Require that largest servicers modify a specific number of mortgages

- Create a new trust structure outside existing RMBS deals, which "traps cash" to align servicer and investor incentives

- Use CFPB's eventual rule-making authority to "harmonize" various agencies' conduct standards



- Deter wrongful servicer conduct
- Help clear shadow inventory
- Provide some borrower relief

- Adjust servicing incentives for securitized mortgages
- Leave existing trust structures intact

- Provide consistent rules for all market participants

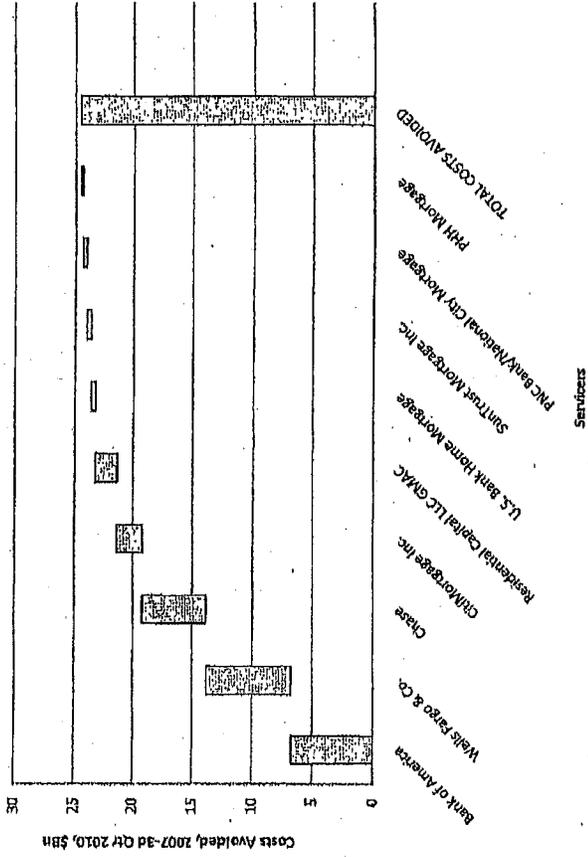
Rough estimates suggest that the largest servicers may have saved more than \$20 billion through under-investment in proper servicing during the crisis. As a result, a notional penalty of roughly \$5 billion would seem too low.

CALIBRATING THE SIZE OF POTENTIAL PENALTIES

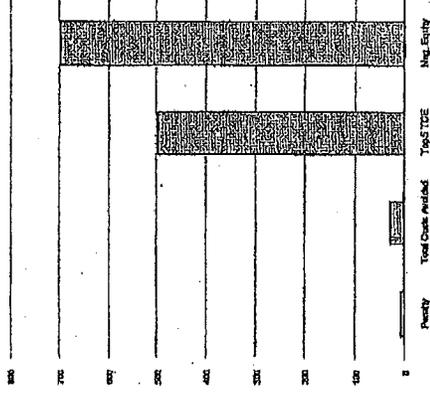
Estimated Servicing Costs Avoided, 2007-3Q10
\$ Billions (Source: CFPB)

Assumption:

- Effective special servicing of delinquent loans would have cost 75 bps/yr more than the actual costs incurred



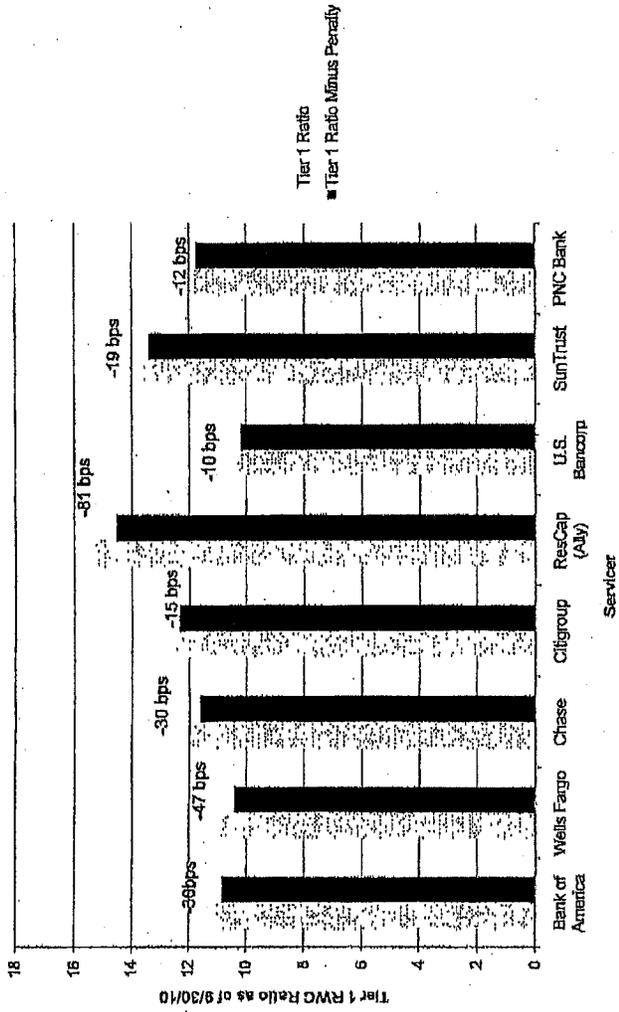
Notional \$5 Billion in Context
\$ Billions



Source: CFPB

A penalty based on servicing costs avoided would have little effect on Tier 1 capital ratios.

EFFECT OF PENALTY ON TIER 1 CAPITAL



Source: CFPB

P. 3 DRAFT—CONFIDENTIAL FOR AG MILLER

The scope of a settlement-driven loan modification requirement can be roughly calibrated to the likely cost to servicers from principal forgiveness. Principal reductions would (1) make payments somewhat more affordable; (2) free underwater borrowers to sell or refinance their homes; and (3) thereby help the housing market clear. Notably, some fraction of the cost of modifications (for NPV-positive modifications) might legitimately be pushed from servicers onto MBS investors.

CALIBRATING BREADTH AND DEPTH

Examples

- Require [3.0] million principal-reduction mods over six months (principal forgiveness)
 - Apportion by market share
 - With or without short sale
- Simple eligibility standards
 - Residential owner-occupied
 - Current CLTV > [100%]
 - Not FHA or VA loans
- Principal must be written down to [95%] CLTV
 - Reduction in second lien mortgages held by any party to settlement
- Monitor compliance
- Make penalty for failure to execute big enough to encourage loan mods
- Servicers fund write-down (makes investors whole)
 - But investors absorb write-down when NPV positive.

Cost of Aggregate Principal Reduction
(Assuming servicers modify least underwater borrowers)
\$ Billions

Depth: Reduce each Loan CLTV	Breadth: Millions of Loans Modified				
	0.5	1.0	1.5	2.0	3.0
> 100% to 95%	\$7.0	\$13.9	\$20.9	\$27.9	\$34.8
> 100% to 90%	\$10.6	\$21.1	\$31.7	\$42.3	\$52.9
> 105% to 95%	\$7.1	\$14.3	\$21.4	\$33.3	\$51.9
> 115% to 100%	\$13.4	\$28.1	\$51.5	\$74.9	\$103.9
					\$41.8
					\$63.4
					\$70.5
					\$135.2

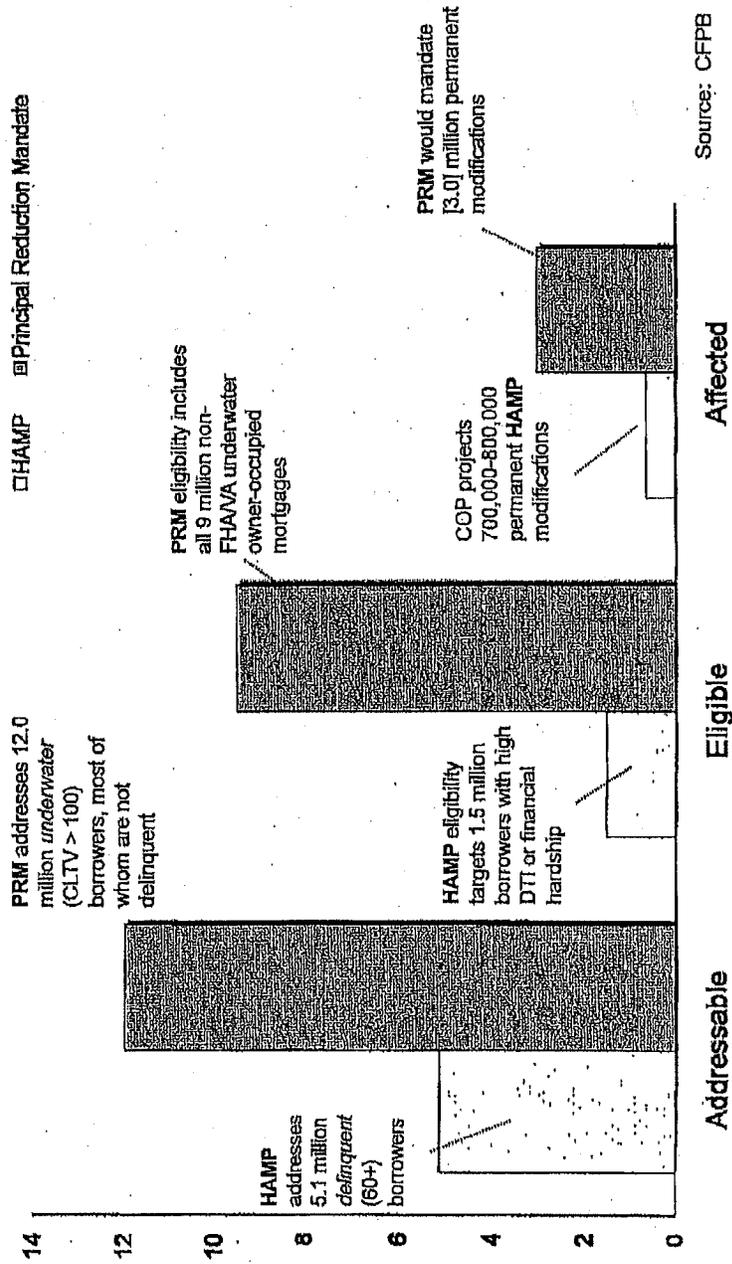
Note: Assuming servicers modify least underwater borrowers; excludes FHA and VA loans

Source: CFPB analysis based on FRB staff research

A principal reduction mandate could be meaningfully additive to HAMP.

PRINCIPAL REDUCTION MANDATE (PRM) VS. HAMP

Comparison of Borrower Universe, Eligibility, and Impact
Millions



ONE HUNDRED TWELFTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

Majority (202) 225-5074
Minority (202) 225-5051

Responding to Committee Document Requests

1. In complying with this request, you should produce all responsive documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. You should also produce documents that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as documents that you have placed in the temporary possession, custody, or control of any third party. Requested records, documents, data or information should not be destroyed, modified, removed, transferred or otherwise made inaccessible to the Committee.
2. In the event that any entity, organization or individual denoted in this request has been, or is also known by any other name than that herein denoted, the request shall be read also to include that alternative identification.
3. The Committee's preference is to receive documents in electronic form (i.e., CD, memory stick, or thumb drive) in lieu of paper productions.
4. Documents produced in electronic format should also be organized, identified, and indexed electronically.
5. Electronic document productions should be prepared according to the following standards:
 - (a) The production should consist of single page Tagged Image File ("TIF"), files accompanied by a Concordance-format load file, an Opticon reference file, and a file defining the fields and character lengths of the load file.
 - (b) Document numbers in the load file should match document Bates numbers and TIF file names.
 - (c) If the production is completed through a series of multiple partial productions, field names and file order in all load files should match.

6. Documents produced to the Committee should include an index describing the contents of the production. To the extent more than one CD, hard drive, memory stick, thumb drive, box or folder is produced, each CD, hard drive, memory stick, thumb drive, box or folder should contain an index describing its contents.
7. Documents produced in response to this request shall be produced together with copies of file labels, dividers or identifying markers with which they were associated when they were requested.
8. When you produce documents, you should identify the paragraph in the Committee's request to which the documents respond.
9. It shall not be a basis for refusal to produce documents that any other person or entity also possesses non-identical or identical copies of the same documents.
10. If any of the requested information is only reasonably available in machine-readable form (such as on a computer server, hard drive, or computer backup tape), you should consult with the Committee staff to determine the appropriate format in which to produce the information.
11. If compliance with the request cannot be made in full, compliance shall be made to the extent possible and shall include an explanation of why full compliance is not possible.
12. In the event that a document is withheld on the basis of privilege, provide a privilege log containing the following information concerning any such document: (a) the privilege asserted; (b) the type of document; (c) the general subject matter; (d) the date, author and addressee; and (e) the relationship of the author and addressee to each other.
13. If any document responsive to this request was, but no longer is, in your possession, custody, or control, identify the document (stating its date, author, subject and recipients) and explain the circumstances under which the document ceased to be in your possession, custody, or control.
14. If a date or other descriptive detail set forth in this request referring to a document is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, you should produce all documents which would be responsive as if the date or other descriptive detail were correct.
15. The time period covered by this request is included in the attached request. To the extent a time period is not specified, produce relevant documents from January 1, 2009 to the present.
16. This request is continuing in nature and applies to any newly-discovered information. Any record, document, compilation of data or information, not produced because it has not been located or discovered by the return date, shall be produced immediately upon subsequent location or discovery.

17. All documents shall be Bates-stamped sequentially and produced sequentially.
18. Two sets of documents shall be delivered, one set to the Majority Staff and one set to the Minority Staff. When documents are produced to the Committee, production sets shall be delivered to the Majority Staff in Room 2157 of the Rayburn House Office Building and the Minority Staff in Room 2471 of the Rayburn House Office Building.
19. Upon completion of the document production, you should submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control which reasonably could contain responsive documents; and (2) all documents located during the search that are responsive have been produced to the Committee.

Definitions

1. The term "document" means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, inter-office and intra-office communications, electronic mail (e-mail), contracts, cables, notations of any type of conversation, telephone call, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A document bearing any notation not a part of the original text is to be considered a separate document. A draft or non-identical copy is a separate document within the meaning of this term.
2. The term "communication" means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in a meeting, by telephone, facsimile, email, regular mail, telexes, releases, or otherwise.
3. The terms "and" and "or" shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this request any information which might

otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neuter genders.

4. The terms "person" or "persons" mean natural persons, firms, partnerships, associations, corporations, subsidiaries, divisions, departments, joint ventures, proprietorships, syndicates, or other legal, business or government entities, and all subsidiaries, affiliates, divisions, departments, branches, or other units thereof.
5. The term "identify," when used in a question about individuals, means to provide the following information: (a) the individual's complete name and title; and (b) the individual's business address and phone number.
6. The term "referring or relating," with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with or is pertinent to that subject in any manner whatsoever.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

July 5, 2011

ASSISTANT SECRETARY

The Honorable Spencer Bachus
Chairman
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Dear Chairman Bachus:

I am writing in response to your most recent letter to Secretary Geithner regarding the government's inter-agency efforts to address deficiencies in mortgage servicing and potentially reach a comprehensive settlement with mortgage servicers. Your letter seeks certain documents and records related to the Consumer Financial Protection Bureau (the "Bureau") and its efforts regarding mortgage servicing.

We are fully committed to providing Congress with the information it needs to conduct meaningful and effective oversight, without jeopardizing an active law enforcement matter. Accordingly, we have enclosed with this letter over 300 pages of documents responsive to your request, including communications regarding mortgage servicing between the Bureau and state Attorneys General offices, and between the Bureau and mortgage servicers. We are continuing to gather documents responsive to your request, and we look forward to working with the Committee to provide additional information.

Please note that pursuant to established third-agency practice, we have consulted with the Department of Justice about certain responsive records that implicate that Department's equities. The Department has advised us that disclosure of some of these records would adversely impact its ongoing law enforcement efforts relating to mortgage servicing practices and, based upon those concerns, the Department has requested that we not disclose those records at this time.

Thank you for your letter. The widespread problems in the mortgage servicing industry must be fixed, and we appreciate your help in protecting the interests of American homeowners.

Sincerely,

Kim N. Wallace
Assistant Secretary for Legislative Affairs

Enclosure

cc: The Honorable Barney Frank
The Honorable Elijah Cummings



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

July 5, 2011

ASSISTANT SECRETARY

The Honorable Randy Neugebauer
Chairman, Subcommittee on Oversight & Investigations
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Dear Chairman Neugebauer:

I am writing in response to your most recent letter to Secretary Geithner regarding the government's inter-agency efforts to address deficiencies in mortgage servicing and potentially reach a comprehensive settlement with mortgage servicers. Your letter seeks certain documents and records related to the Consumer Financial Protection Bureau (the "Bureau") and its efforts regarding mortgage servicing.

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Sincerely,

Kim N. Wallace
Assistant Secretary for Legislative Affairs

Enclosure

cc: The Honorable Barney Frank
The Honorable Elijah Cummings



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

July 5, 2011

ASSISTANT SECRETARY

The Honorable Shelley Moore Capito
Chairman, Subcommittee on Financial Institutions and Consumer Credit
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Dear Chairman Capito:

I am writing in response to your most recent letter to Secretary Geithner regarding the government's inter-agency efforts to address deficiencies in mortgage servicing and potentially reach a comprehensive settlement with mortgage servicers. Your letter seeks certain documents and records related to the Consumer Financial Protection Bureau (the "Bureau") and its efforts regarding mortgage servicing.

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Kim N. Wallace
Assistant Secretary for Legislative Affairs

Enclosure

cc: The Honorable Barney Frank
The Honorable Elijah Cummings



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

July 5, 2011

ASSISTANT SECRETARY

The Honorable Scott Garrett
Chairman, Subcommittee on Capital Markets
and Government Sponsored Enterprises
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Dear Chairman Garrett:

I am writing in response to your most recent letter to Secretary Geithner regarding the government's inter-agency efforts to address deficiencies in mortgage servicing and potentially reach a comprehensive settlement with mortgage servicers. Your letter seeks certain documents and records related to the Consumer Financial Protection Bureau (the "Bureau") and its efforts regarding mortgage servicing.

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Sincerely,

Kim N. Wallace
Assistant Secretary for Legislative Affairs

Enclosure

cc: The Honorable Barney Frank
The Honorable Elijah Cummings

Microsoft Outlook

From: Morris, Lucy
Sent: Friday, September 24, 2010 1:09 PM
To: 'pmadiga@ag.state.ia.us'; 'dhagan@atg.state.il.us'
Subject: Ally Financial

Hi Patrick and Debby,

I'm on detail (from the FTC) at the Treasury Department helping with the implementation of the Consumer Financial Protection Bureau. As you probably know, there have been a number of Washington Post articles this week regarding Ally Financial and foreclosure processing issues. Peggy Twohig asked me to check in with the states. If someone can give me a call back today, that would be great. Thanks,

Lucy Morris
U.S. Treasury Department
[REDACTED]
Lucy.Morris@do.treas.gov

Microsoft Outlook

From: Madigan, Patrick [AG] [pmadiga@ag.state.ia.us]
Sent: Friday, September 24, 2010 1:11 PM
To: Morris, Lucy
Subject: Out of Office AutoReply: Ally Financial

I am currently out of the office. I will return on Monday, September 27th and will respond to your message then. Thank you

Microsoft Outlook

From: Hagan, Deborah [DHagan@atg.state.il.us]
Sent: Friday, September 24, 2010 1:15 PM
To: Morris, Lucy; 'pmadiga@ag.state.ia.us'
Subject: Re: Ally Financial

Hi Lucy

I could call you at 2 central. Illinois already sent a letter to Ally and I think IA and TX have as well. Patrick are you available?

Sent from my BlackBerry Wireless Handheld

From: Lucy.Morris@do.treas.gov
To: pmadiga@ag.state.ia.us ; Hagan, Deborah
Sent: Fri Sep 24 12:08:43 2010
Subject: Ally Financial
Hi Patrick and Debby,

I'm on detail (from the FTC) at the Treasury Department helping with the implementation of the Consumer Financial Protection Bureau. As you probably know, there have been a number of Washington Post articles this week regarding Ally Financial and foreclosure processing issues. Peggy Twohig asked me to check in with the states. If someone can give me a call back today, that would be great. Thanks,

Lucy Morris
U.S. Treasury Department
[REDACTED]
Lucy.Morris@do.treas.gov

Microsoft Outlook

From: Morris, Lucy
Sent: Friday, September 24, 2010 1:18 PM
To: 'Hagan, Deborah'; 'pmadiga@ag.state.ia.us'
Subject: RE: Ally Financial

Great, 2:00 central (3:00 EST) works for me. I got an out of office message from Patrick in response to my email.

Lucy

-----Original Message-----

From: Hagan, Deborah [mailto:DHagan@atg.state.il.us]
Sent: Friday, September 24, 2010 1:15 PM
To: Morris, Lucy; 'pmadiga@ag.state.ia.us'
Subject: Re: Ally Financial

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Lucy Morris
U.S. Treasury Department
[REDACTED]
Lucy.Morris@do.treas.gov

Microsoft Outlook

From: Hagan, Deborah [DHagan@atg.state.il.us]
Sent: Friday, September 24, 2010 1:19 PM
To: Morris, Lucy; 'pmadiga@ag.state.ia.us'
Subject: Re: Ally Financial

Ok let's try for 2 and I will fill Patrick in.

Sent from my BlackBerry Wireless Handheld

----- Original Message -----

From: Lucy.Morris@do.treas.gov <Lucy.Morris@do.treas.gov>
To: Hagan, Deborah; pmadiga@ag.state.ia.us <pmadiga@ag.state.ia.us>
Sent: Fri Sep 24 12:17:44 2010
Subject: RE: Ally Financial

Great, 2:00 central (3:00 EST) works for me. I got an out of office message from Patrick in response to my email.

Lucy

-----Original Message-----

From: Hagan, Deborah [mailto:DHagan@atg.state.il.us]
Sent: Friday, September 24, 2010 1:15 PM
To: Morris, Lucy; 'pmadiga@ag.state.ia.us'
Subject: Re: Ally Financial

Hi Lucy

I could call you at 2 central. Illinois already sent a letter to Ally and I think IA and TX have as well. Patrick are you available?

Sent from my BlackBerry Wireless Handheld

From: Lucy.Morris@do.treas.gov
To: pmadiga@ag.state.ia.us ; Hagan, Deborah
Sent: Fri Sep 24 12:08:43 2010
Subject: Ally Financial
Hi Patrick and Debby,

I'm on detail (from the FTC) at the Treasury Department helping with the implementation of the Consumer Financial Protection Bureau. As you probably know, there have been a number of Washington Post articles this week regarding Ally Financial and foreclosure processing issues. Peggy Twohig asked me to check in with the states. If someone can give me a call back today, that would be great. Thanks,

Lucy Morris
U.S. Treasury Department
[REDACTED]
Lucy.Morris@do.treas.gov

Microsoft Outlook

From: Hagan, Deborah [DHagan@atg.state.il.us]
Sent: Friday, September 24, 2010 2:52 PM
To: Morris, Lucy
Subject: RE: Ally Financial

Lucy
Do you mind if one of my lawyers in on with me? I am going to call you shortly.

Deborah Hagan
Chief, Consumer Protection Division
Illinois Attorney General's Office
[REDACTED]

From: Lucy.Morris@do.treas.gov [mailto:Lucy.Morris@do.treas.gov]
Sent: Friday, September 24, 2010 12:09 PM
To: pmadiga@ag.state.ia.us; Hagan, Deborah
Subject: Ally Financial

Hi Patrick and Debby,

I'm on detail (from the FTC) at the Treasury Department helping with the implementation of the Consumer Financial Protection Bureau. As you probably know, there have been a number of Washington Post articles this week regarding Ally Financial and foreclosure processing issues. Peggy Twohig asked me to check in with the states. If someone can give me a call back today, that would be great. Thanks,

Lucy Morris
U.S. Treasury Department
[REDACTED]
Lucy.Morris@do.treas.gov

Microsoft Outlook

From: Morris, Lucy
Sent: Friday, September 24, 2010 2:56 PM
To: 'DHagan@atg.state.il.us'
Subject: Re: Ally Financial

Good

----- Original Message -----

From: Hagan, Deborah <DHagan@atg.state.il.us>
To: Morris, Lucy
Sent: Fri Sep 24 14:51:50 2010
Subject: RE: Ally Financial

Lucy

Do you mind if one of my lawyers in on with me? I am going to call you shortly.

Deborah Hagan
Chief, Consumer Protection Division
Illinois Attorney General's Office
[REDACTED]

From: Lucy.Morris@do.treas.gov [mailto:Lucy.Morris@do.treas.gov]
Sent: Friday, September 24, 2010 12:09 PM
To: pmadiga@ag.state.ia.us; Hagan, Deborah
Subject: Ally Financial

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Lucy Morris
U.S. Treasury Department
[REDACTED]
Lucy.Morris@do.treas.gov

Microsoft Outlook

From: Ellis, Susan [sellis@atg.state.il.us]
Sent: Friday, September 24, 2010 3:46 PM
To: Morris, Lucy
Cc: Hagan, Deborah; Abundis, Cecilia
Subject: Ally deposition - Livelink 913 KB

Attachments: GMAC Stephan Depo .pdf - 908 KB



GMAC Stephan
Depo .pdf - 908 K...
Lucy,

Attached is the deposition of the Ally/GMAC employee.

Best regards,

Susan Ellis
Assistant Bureau Chief, Consumer Fraud
Office of the Illinois Attorney General
500 South Second Street
Springfield, IL 62706
tel: [REDACTED]
fax: [REDACTED]

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IN THE CIRCUIT COURT OF THE FIFTEENTH JUDICIAL CIRCUIT
IN AND FOR PALM BEACH COUNTY, FLORIDA
CASE NO. 50 2008 CA 040805XXXX MB

GMAC MORTGAGE, LLC,

Plaintiff,

-vs-

ANN M NEU A/K/A ANN MICHELLE
PEREZ; DOUGLAS WILLIAM NEU;
UNKNOWN TENANT (S) IN
POSSESSION OF THE SUBJECT
PROPERTY,
Defendants.

DEPOSITION OF JEFFREY STEPHAN

Thursday, December 10, 2009
1:00 p.m. - 2:30 p.m.

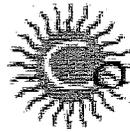
Conсор & Associates
1655 Palm Beach Lakes Blvd., Ste. 500
West Palm Beach, Florida 33401

Reported By:

Jamie Reynolds Bentley, Court Reporter
Notary Public, State of Florida
Conсор & Associates
1655 Palm Beach Lakes Blvd., Suite 500
West Palm Beach, Florida 33401
(561) 682-0905

Ph. 561.682.0905 - Fax. 561.682.1771
1655 Palm Beach Lakes Blvd., Suite 500 - West Palm Beach, FL 33401

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APPEARANCES:

On behalf of the Plaintiff:

ALEJANDRA ARROYAVE, ESQ.

Lapin & Leichtling

225 Alahamra Circle

Suite 800

Coral Gables, Florida 33134

(305) 569-4100

On behalf of the Defendant:

CHRISTOPHER IMMEL, ESQ.

Ice Legal, P.A.

1975 Sansbury's Way

Suite 104

West Palm Beach, Florida 33411

(561) 798-5658

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I N D E X
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WITNESS:	DIRECT	CROSS	REDIRECT	RE CROSS
JEFFREY STEPHAN				
BY MR. IMMEL	4			54
JEFFREY STEPHAN				
BY MS. ARROYAVE		51		

- - -
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P R O C E E D I N G S

- - -

Deposition taken before Jamie Reynolds Bentley, Court Reporter and Notary Public in and for the State of Florida at Large, in the above cause.

- - -

THE COURT REPORTER: Do you swear or affirm that the testimony you are about to give will be the truth, the whole truth and nothing but the truth?

THE WITNESS: I do.

Thereupon,

(JEFFREY STEPHAN)

having been first duly sworn or affirmed, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. IMMEL:

Q. All right. We are here on GMAC Mortgage, LLC versus Neu. This is the deposition of Jeffrey Stephan. I'm sure your attorney has gone over things with you a little bit. But if you could just keep one thing in mind, to answer, not to simply nod your head or anything like that. We need for your answers to be clear for the court reporter that way.

A. Yes.

Q. Could you please state your name for the

1 record.

2 A. My name is Jeffrey Stephan.

3 Q. Okay. And who do you work for?

4 A. GMAC, LLC.

5 Q. And is there a difference between GMAC, LLC
6 and GMAC Mortgage, LLC?

7 A. GMAC, LLC -- I'm trying to think of the word
8 to use -- the most recent name.

9 Q. Okay.

10 A. It's GMCA Mortgage Corporation.

11 Q. Okay.

12 A. I'm not sure how you would word that.

13 Q. Okay. So are they -- does GMAC, LLC -- now
14 has that basically taken over these other entities --

15 A. Yes.

16 Q. -- that formerly existed?

17 A. Yes.

18 Q. So these entities no longer currently exist?

19 A. Right.

20 Q. Okay. And how long then have you been
21 employed by GMAC, LLC?

22 A. Five years.

23 Q. Okay. And prior to that, it was GMAC Mortgage
24 and GMAC Corporation?

25 A. That was as the whole five years.

1 Q. Oh, okay.

2 A. Yes.

3 Q. As the whole five years. And what is your
4 title?

5 A. I'm a team leader in the foreclosure
6 department.

7 Q. Okay. And what are your responsibilities?

8 A. I am the team lead of the document execution
9 unit.

10 Q. Okay.

11 A. And also the service transfer unit.

12 Q. And so what type of documents do you
13 ordinarily execute?

14 A. I execute on a daily basis assignments of
15 mortgage, affidavits of any type that might be needed,
16 deeds. Any type of the document that would need a
17 signature of an officer of GMAC.

18 Q. Okay. And who do you report to?

19 A. I report to Margie Kwiatanowski.

20 Q. Could you spell that?

21 A. Yes. It's K-W-I-A-T-A-N-O-W-S-K-I.

22 Q. Okay. And approximately how many employees
23 does GMAC Mortgage, LLC have?

24 A. I couldn't guess. I don't know.

25 Q. Sure. Okay. And as part of your

1 responsibilities, you execute assignments as a vice
2 president of MERS?

3 A. Yes, that's correct.

4 Q. And in executing affidavits as a vice
5 president, do you receive any compensation from MERS?

6 A. No.

7 Q. Have you had any training from MERS?

8 A. No.

9 Q. Okay. How many documents would you say you
10 sign on an average week as far as executing affidavits
11 and things of that nature?

12 A. It's very tough to estimate that to be honest
13 with you.

14 Q. In a given month, would that be easier to say

15 --

16 A. I would say --

17 Q. -- one hundred, 500?

18 A. -- in a month, my team brings to me
19 approximately, I'd say a round number of 10,000. That's
20 just an estimate, of course.

21 Q. Okay. And so, 10,000 your team brings to you.
22 How many people do you oversee?

23 A. A team of 13 people.

24 Q. Okay. Now, would these people be given the
25 duties of actually preparing the documents that you

1 ultimately sign and execute?

2 A. They would review the document that is given
3 to them through our computer systems.

4 Q. Okay.

5 A. So they don't actually prepare it per se.
6 They review it for the accuracy of what type of entity
7 I'm signing as.

8 Q. Okay. How many different entities do you sign
9 as?

10 MS. ARROYAVE: Objection: Form.

11 BY MR. IMMEL:

12 Q. Can you name what entities you sign --

13 A. I sign presently as MERS.

14 Q. Okay.

15 A. And under MERS as vice president or an
16 assistant secretary. Also, I sign for GMAC Mortgage.
17 And to be honest with you, it's too many entities for me
18 to actually quote under GMAC. But it is as a limited
19 signing officer.

20 Q. Okay. And earlier you stated that right now
21 it's GMAC, LLC.

22 A. Uh-huh.

23 Q. You do still currently sign documents as GMAC
24 Mortgage, LLC?

25 A. Yes, I do.

1 Q. Okay. And also as a corporation --

2 A. Yes.

3 Q. -- and some of the others that we've seen your
4 signature on?

5 A. Yes, I do.

6 Q. Okay. Where then does the information that
7 goes into the system that your team reviews --

8 A. Yes.

9 Q. -- where does that information come from?

10 A. The process that we use is -- and this is to
11 my knowledge -- a file is referred to a foreclosure
12 attorney stating exactly what entity would be needed
13 through the referral unit. And at that point, the
14 attorney receives the file to proceed with the
15 foreclosure. That foreclosure name is generated upon
16 GMAC supplying it on the referral. I'm not 100 percent
17 sure of what that process is.

18 Q. Okay.

19 A. The documentation, as you stated, that you're
20 asking about, is given to us after the attorney has been
21 instructed on what name to foreclose in.

22 Q. And who instructs the attorney as to what name
23 to foreclose it in?

24 A. It comes to our referral unit. Which is
25 another process to my knowledge.

1 Q. Okay. Approximately, if 10,000 are signed in
2 a given month, you know, on an average, how long would
3 you say you spend executing each one and actually
4 signing?

5 A. It's tough to say.

6 Q. Okay. Would it be accurate to say that when
7 these documents have been presented to you by your team

8 --

9 A. Uh-huh.

10 Q. -- you take the face value that they are --
11 they have been checked by your team?

12 A. That would be a correct statement, yes.

13 Q. So these documents wouldn't be actually
14 executed on your own personal knowledge?

15 A. Right.

16 Q. It would be based on knowledge that came
17 through --

18 A. Right.

19 Q. -- the chain --

20 A. I'm sorry.

21 MS. ARROYAVE: Can I interrupt just for a
22 second? I just want to make sure that he finishes
23 his question before you answer.

24 THE WITNESS: Sure. Sorry.

25

1 BY MR. IMMEL:

2 Q. Yes, yes, that's true, too.

3 So the information that your team obtains
4 isn't based on their personal knowledge either, it's
5 located within the computer networks?

6 MS. ARROYAVE: Objection: Form.

7 BY MR. IMMEL:

8 Q. The information on the documents that you
9 execute is stored within your data base?

10 A. No, somewhere else.

11 Q. No. Okay. The information then is that --
12 your team, they get that from a computer network that
13 you have, correct?

14 A. No.

15 Q. Where does your team get that information?

16 A. That information is first given to the
17 attorney to foreclose under which name as needed. If we
18 are stating some type of assignment, for example, the
19 attorney, to my knowledge, and I'm not 100 percent sure
20 of their process because I don't work for the attorney,
21 they would do a title check to verify what name the lien
22 is presently in.

23 Q. Okay.

24 A. At that point is when it would initial if an
25 assignment would be needed or not.

1 Q. So at the direction of the attorney, your team
2 creates these documents and then you execute them?

3 MS. ARROYAVE: Objection: Form.

4 BY MR. IMMEL:

5 Q. So your team executes documents at the request
6 of attorneys?

7 MS. ARROYAVE: Objecting: Form. You can
8 still answer it if you understand the question.

9 BY MR. IMMEL:

10 Q. Do you understand what I'm asking?

11 A. Yes, I understand what you're asking. My team
12 does not create any documents.

13 Q. These documents are then sent from the
14 attorney?

15 A. Yes.

16 Q. Okay. And you're -- so then the team that you
17 oversee --

18 A. Uh-huh.

19 Q. -- simply reviews them for accuracy?

20 A. That's correct.

21 Q. Okay. And how do they verify the information
22 is accurate?

23 A. They do not go into the system and verify the
24 information as accurate. We are relying on our attorney
25 network to ensure that they are asking for the correct

1 information.

2 Q. So the attorney creates these documents and
3 you are relying that the attorney is correct?

4 A. Yes.

5 MS. ARROYAVE: Objection: Form.

6 BY MR. IMMEL:

7 Q. Okay. And then they are required to be
8 notarized. Are they notarized in your office?

9 A. Yes.

10 Q. Is the notary present with you or is it down
11 the hall?

12 A. The notary is in the same department.

13 Q. Same department. Okay. Are they physically
14 present when you (sic) notarize this -- or when they
15 notarize and then you execute it?

16 A. No, they are not physically present. But I
17 will -- I do deliver them to the notary.

18 Q. All right.

19 A. And I wait for them to notarize it to hand
20 them back to my team.

21 Q. Okay. All right. What department then? You
22 said your department?

23 A. Right.

24 Q. And as part of their job responsibilities,
25 would notarizing be their sole responsibility, or do

1 they have other responsibilities?

2 A. They have other responsibilities.

3 Q. Are any of the members of your team, people
4 that also notarize documents that you execute?

5 A. Yes.

6 Q. Yes. Okay. Is there a job requirement that
7 certain employees become notaries?

8 A. I don't know.

9 Q. Okay. And what type of -- what level of a
10 type of employee would it typically be that is a notary?

11 A. I don't know that either.

12 Q. All right. Does the company pay for the
13 process of becoming a notary or the renewal fees?

14 A. Yes.

15 Q. Okay. If a notary feels that they are being
16 asked to notarize something that's done improperly, is
17 there a process which they can, you know, raise that to
18 anybody's attention?

19 A. I honestly don't know.

20 Q. You are not sure. Do you notarize any
21 assignments of mortgage or other documents yourself?

22 A. No.

23 Q. Are you a notary?

24 A. No.

25 Q. How are witnesses ordinarily chosen?

1 MS. ARROYAVE: Object: Form.

2 Chosen for what?

3 BY MR. IMMEL:

4 Q. The witnesses to, say, the assignments of the
5 mortgage, and the witnesses of things that you execute.

6 A. They are just chosen randomly.

7 Q. Chosen randomly. Okay. Approximately how
8 many days a week do you spend executing assignments,
9 affidavits, and the various documents that you execute?

10 A. Five.

11 Q. Five. Okay. Are there any specific days
12 where it's one day these types of documents, this type
13 of documents, or can it be just a mix?

14 A. It's a mix.

15 Q. Okay. Approximately how many documents would
16 you say are presented to you by your team at a given
17 time? Is it one at a time, or ten at a time?

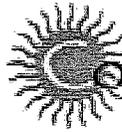
18 A. It is done in bulk.

19 Q. Done in bulk.

20 A. I could not quote you the exact number.

21 Q. Okay. Going back to the signing officer as
22 Mortgage Electronic Registration Systems, you said that
23 you are -- you sign as both vice president and as an
24 assistant secretary?

25 A. That is correct.



1 Q. Is there any basis for one -- you sign as one
2 versus the other?

3 A. The majority of the time I sign as a vice
4 president. Most times we do not need an assistant
5 secretary, unless they are asking for a second signature
6 on any type of an affidavit or assignment.

7 Q. Okay. And, again, you are not paid by MERS.
8 Do you hold any other responsibilities with MERS that
9 would be consistent with having the title of a vice
10 president?

11 A. No.

12 Q. No. Okay. So you don't attend any board
13 meetings for MERS?

14 A. No.

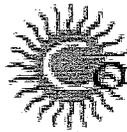
15 Q. You don't report to the secretary of MERS or
16 any other people at MERS?

17 A. No.

18 Q. How did you become a MERS representative? Did
19 you request to be a vice president of MERS?

20 A. I received the responsibility as being the
21 team lead for document executing. It was assigned to me
22 by our legal area.

23 Q. Okay. All right. So your responsibilities as
24 a vice president of MERS to execute the assignments is
25 really your job perspective, or an aspect of your job at



1 GMAC Mortgage, LLC or GMAC, LLC?

2 A. That is correct.

3 Q. Okay. And you've never been to any MERS
4 offices or their headquarters?

5 A. No.

6 Q. Are you aware of why you were given the title
7 of vice president versus assistant secretary or...

8 A. No, I'm not aware of that.

9 Q. Okay. All right. I have here the assignment
10 of mortgage which you executed in this case.

11 A. Okay.

12 MR. IMMEL: I'll enter that as Exhibit A.

13 (Defendant's Exhibit Letter A was marked for
14 identification.)

15 MR. IMMEL: I have a copy for you, as well.

16 THE WITNESS: Thank you.

17 BY MR. IMMEL:

18 Q. In the top left-hand corner it says, Record
19 and return to offices of Marshall C. Watson.

20 Based on your earlier statements, it's
21 accurate to say that attorneys at Marshall C. Watson
22 created the information on this document?

23 MS. ARROYAVE: Objection: Form.

24 THE WITNESS: That would be correct.

25

1 BY MR. IMMEL:

2 Q. Okay. And who -- so an attorney chose the
3 date of the 4th day of March, 2009.

4 Can you tell me the date actually. Whether
5 that's the 3rd or the 5th of March.

6 A. To me it seems to be the 5th.

7 Q. Okay.

8 A. Actually, excuse me, let me change that. It
9 would have to be the 3rd, because the notary did it on
10 the 4th.

11 Q. Okay. And that is your signature on this
12 document?

13 A. That is correct.

14 Q. Okay. Is it commonplace then for the notary
15 to notarize a document the day after you've apparently
16 executed it?

17 MS. ARROYAVE: Objection: Form.

18 THE WITNESS: I would say, yes, it would be
19 common.

20 BY MR. IMMEL:

21 Q. Okay. So typically when you hand these off to
22 the notary, and then they kind of catch up?

23 A. Uh-huh. Yes.

24 Q. Okay. The witnesses, Heather Reinhart, do you
25 know her personally?

1 A. Yes, she is one of my employees.

2 Q. Is she on your team?

3 A. Yes.

4 Q. Is it possible that she would have been one of
5 the people who reviewed this for accuracy?

6 A. That is possible.

7 Q. And the other person appears to be Tyra
8 Wilks --

9 A. Wilson.

10 Q. Tyra Wilson. Okay. Is she also a member of
11 your team?

12 A. Yes.

13 Q. And you know her personally, as well?

14 A. Yes.

15 Q. The notary, Susan Turner, is she a member of
16 your team?

17 A. No, she is not.

18 Q. Do you know her personally?

19 A. Yes.

20 Q. It says here that you personally appeared
21 before her on the 4th day of March. Is it possible that
22 you executed then on the 3rd, and handed it to her and
23 then you weren't personally in front of her at the time
24 she notarized this?

25 A. I don't know. I can't recollect.

1 Q. All right. And how did you determine on this
2 to execute it to GMAC Mortgage, LLC?

3 MS. ARROYAVE: Objection: Form.

4 THE WITNESS: I'm not sure if I understand the
5 question.

6 BY MR. IMMEL:

7 Q. Okay. Did you have any say in the creation of
8 who MERS would assign this to?

9 A. No.

10 Q. No. Your attorney, the Law Office of Marshall
11 C. Watson, determined that?

12 A. No.

13 Q. No.

14 A. That is, as I stated earlier, when the
15 foreclosure referral goes out, the referral unit
16 determines what entity they should be foreclosing on.

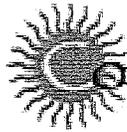
17 Q. Okay. And the foreclosure referral unit that
18 you speak of, is that part of your department?

19 A. Yes.

20 Q. Okay. So would they have records that they
21 are able to refer to to determine who the new mortgagee
22 should be according to these assignments?

23 A. Yes.

24 Q. And who -- do you have a name of any person
25 that keeps those documents?



1 A. The team lead for that would be Brenda.

2 Q. Brenda?

3 A. Her last name is Staehle, S-T-A-E-H-L-E.

4 Q. Okay.

5 A. I think that's the way it's spelled.

6 Q. Can you tell me -- you really don't have any
7 knowledge or information as to who should be the
8 mortgagee? According to this document, you take it for
9 face value; is that correct?

10 MS. ARROYAVE: Objection: Form.

11 THE WITNESS: Can you explain that further?

12 BY MR. IMMEL:

13 Q. You take it for face value that GMAC Mortgage,
14 LLC is expected to be the mortgagee?

15 MS. ARROYAVE: Objection: Form.

16 BY MR. IMMEL:

17 Q. Who would have information who -- who MERS
18 should assign this to? Would it be you or Brenda
19 Staehle?

20 A. Brenda Staehle would be the individual or her
21 team to refer the files, and they determine what name
22 should be foreclosing in.

23 Q. Okay. So everything from that point on is
24 based on the presumption that her team has ascertained
25 those things to be correct?

1 A. That is correct.

2 MS. ARROYAVE: Objection: Form.

3 BY MR. IMMEL:

4 Q. All right. Okay. So on March 5th, 2009,
5 you're not aware --

6 A. I believe it's the 3rd.

7 Q. March 3rd. I'm sorry. March 3rd, 2009,
8 you're not aware of any physical transfer of the
9 mortgage?

10 A. Can you rephrase that? I'm not following.

11 Q. Are you aware of any reason why the assignment
12 of mortgage had to be executed on March 5th, 2009 -- or
13 the 3rd, 2009? I'm sorry.

14 A. We have a process that's set up with our
15 attorney network. And Marshall Watson is in that
16 attorney network. The file is referred to them with a
17 certain name to proceed with the foreclosure in. They
18 will pull title. And whatever they see title is in, in
19 order to proceed in the proper name, they need to get an
20 assignment. In this instance it's MERS to GMAC.

21 Q. Okay. Are the assignments supposed to be
22 completed prior to the filing of the foreclosure
23 lawsuit?

24 MS. ARROYAVE: Objection: Form.

25

1 BY MR. IMMEL:

2 Q. Are you aware if it's a company policy at
3 least?

4 A. I don't know.

5 Q. Okay. So as this assignment of mortgage, on
6 the face of it, transfers from Mortgage Electronic
7 Registration Systems as nominee for Mortgage Investors
8 Corporation to GMAC Mortgage, LLC on March 3rd, 2009,
9 would it be accurate to say that prior to that, this
10 assignment, Mortgage Electronic Registration Systems was
11 the mortgagee?

12 A. No.

13 Q. No. Okay. Why would that not be accurate to
14 say?

15 A. Mortgage Electronic Registration, to my
16 knowledge, is an origination entity to allow the passing
17 of assignments through performing loans to make it more
18 easier, I guess you would say, to transfer amongst
19 different companies. MERS does not own loans.

20 Q. They wouldn't own the loan. But they would
21 own the mortgage; is that correct?

22 MS. ARROYAVE: Objection: Form.

23 THE WITNESS: It's not correct, no.

24 BY MR. IMMEL:

25 Q. No. So they are the named mortgagee, so that

1 when the note is passed from entity to entity it doesn't
2 have to be rerecorded?

3 A. That is to my knowledge, yes.

4 Q. All right. On this it also says that MERS is
5 assigning the mortgage together with the note. I don't
6 know if you see that line there. It's right there
7 (indicating).

8 As you just stated, MERS has no interest in
9 the note ever; is that correct?

10 A. I honestly don't know.

11 Q. Oh, okay. As far as you're aware --

12 A. Yes.

13 Q. -- MERS doesn't --

14 A. As far as I'm aware. (Witness nods head.)

15 Q. Okay. Are you aware of whether that's common
16 language to exist in the assignments that you execute?

17 A. I honestly don't know.

18 Q. You're not sure. Okay. All right.

19 MR. IMMEL: And I have a copy of the first
20 page of the mortgage here. Which I'll enter as
21 Exhibit B.

22 (Defendant's Exhibit Letter B was marked for
23 identification.)

24 BY MR. IMMEL:

25 Q. If you will notice it says that the mortgagee

1 according to the mortgage is Mortgage Electronic
2 Registration Systems.

3 I believe it's right down there (indicating).

4 A. I disagree with that interpretation.

5 MS. ARROYAVE: Was there a question?

6 MR. IMMEL: Yes.

7 MS. ARROYAVE: What was the question?

8 BY MR. IMMEL:

9 Q. According to the mortgage, it says that MERS
10 is the mortgagee?

11 A. My interpretation, it says right in the same
12 paragraph, it says they are a nominee for the lender or
13 the lender successors.

14 Q. Right. Okay. They are the mortgagee as
15 nominee --

16 A. Uh-huh.

17 Q. -- for the lenders?

18 A. Yes.

19 Q. Okay. But they are a different entity from
20 the lender and lender successors and things?

21 A. Yes.

22 Q. Okay. What does nominee in that regards mean?

23 A. I don't know.

24 Q. Okay. We can move on from there.

25 I have here -- which I'll enter as Exhibit

1 C -- some discovery that we received from MERS.

2 (Defendant's Exhibit Letter C was marked for
3 identification.)

4 BY MR. IMMEL:

5 Q. And if you will turn to the second page. It
6 is the document entitled, Min Summary.

7 And have you ever seen these records before?

8 A. No, I have not.

9 Q. So in executing the assignments of mortgage on
10 behalf of MERS, do you consult any of MERS' records?

11 A. No.

12 Q. And you are not able to tell me what any of
13 these entries would then mean? This is the first time
14 you have seen this type of information?

15 A. In this format, yes.

16 Q. Okay. Have you seen this type of information
17 in other formats?

18 A. Some of it. I understand what they mean as
19 far as the acronyms in there.

20 Q. Okay. Based on your understanding, the
21 investor says -- the investor is identified as
22 Government National Mortgage Association - Ginnie Mae.
23 What does the word "investor" mean in MERS' acronym?
24 Are you aware?

25 A. I'm not sure how I can explain it. GMAC would

1 be the holder and the owner of the mortgage. GMAC would
2 be the investor who is in the organization that
3 contributed the fund. That's really the only way I can
4 explain the relationship of an investor and servicer.

5 Q. Okay.

6 A. But that's only to my knowledge. I mean, I
7 don't work in that fashion.

8 Q. Okay. So the servicer is supposed to take on
9 the day-to-day activities of administering the mortgage
10 of loan and collecting payments and so forth?

11 A. That would be correct.

12 Q. And they do that on behalf of the investor who
13 loaned the monies?

14 A. Yes.

15 Q. Okay. And any monies that are received from
16 the servicers, would they really be for the investor
17 then to pay him back the loan?

18 A. I don't know.

19 Q. Okay. And as custodian, also, that would mean
20 that they are in possession of the mortgage file,
21 essentially, the note and any other applicable
22 documents?

23 A. That's correct.

24 Q. Okay. All right. Where it has the pool
25 number and it is blacked out. Do you know what the pool

1 number refers to?

2 A. No, I don't.

3 Q. No. Okay. And what about the investor loan
4 number?

5 A. Yes, I understand what that is.

6 Q. And what would that relate to?

7 A. Every investor would have their own loan
8 number. The same as GMAC would have their own loan
9 number to classify the different files.

10 Q. Okay. And are you aware of how a mortgage
11 that has been securitized, a mortgage note that's been
12 securitized, would be reflected on something like this,
13 on this summary?

14 A. I am not familiar.

15 Q. You are not familiar. Okay. Are you aware of
16 anyone at GMAC Mortgage, LLC that has access to these
17 MERS documents and records?

18 A. No, I'm not.

19 Q. You are not aware. Okay. Are you aware of
20 anybody at GMAC that would have a responsibility to
21 update the MERS documentation?

22 A. No.

23 Q. Okay. So the various individuals at GMAC that
24 execute assignments on behalf of MERS have no
25 responsibility to update the MERS' system that they had

1 actually done those assignments or anything like that?

2 A. That would be correct.

3 Q. Okay. Are you aware then of how the MERS'
4 system is updated?

5 A. No.

6 Q. Okay. As a vice president, do you owe a
7 fiduciary duty to the original lender to ensure that the
8 mortgage is assigned to the proper entity?

9 MS. ARROYAVE: Objection: Form.

10 THE WITNESS: I actually don't understand your
11 question.

12 BY MR. IMMEL:

13 Q. Do you own any duty to the -- when you assign
14 these mortgages, you execute them as -- for MERS as
15 nominee for a particular entity, correct?

16 A. That would be correct.

17 Q. Do you owe any responsibility then to that
18 particular entity that MERS is nominee for to ensure
19 that the mortgage is transferred to the new correct
20 entity?

21 A. I don't know.

22 Q. Okay. All right.

23 MR. IMMEL: I have the corporate resolution
24 here. Which I'll enter it as Exhibit D.

25

1 (Defendant's Exhibit Letter D was marked for
2 identification.)

3 BY MR. IMMEL:

4 Q. Have you seen this document before?

5 A. Yes, I have.

6 Q. When was the first time you saw it?

7 A. I'm sorry, I can't say. I don't recollect.

8 Q. You're not sure. Is it fair to say it was
9 quite a while ago?

10 A. Yes.

11 Q. Did you have any role in creating it or
12 negotiating it?

13 A. No, I did not.

14 Q. No. Okay. The first paragraph says that you
15 are authorized to assign a lien of any mortgage loan
16 registered on the MERS register to the member.

17 Who would be the member according to this?
18 Would that be GMAC Mortgage, LLC?

19 A. I don't know.

20 Q. Okay. Assign the lien, in paragraph 2, of any
21 mortgage loan naming MERS as the mortgagee when the
22 member is also the current promissory note-holder, or if
23 the mortgage loan is registered on the MERS system, is
24 shown to be registered to the member.

25 When you are assigning liens, you already

1 stated that you don't consult with any of the MERS
2 records to determine whether or not it's registered to
3 who -- whoever?

4 MS. ARROYAVE: Objection: Form. Asked and
5 answered. Mischaracterization of prior testimony.

6 BY MR. IMMEL:

7 Q. Okay. You don't consult MERS system when
8 assigned these liens?

9 A. Yes.

10 MS. ARROYAVE: Asked and answered.

11 BY MR. IMMEL:

12 Q. All right. Okay. But is it fair to say that
13 you don't ascertain whether the member is the current
14 promissory note-holder when you assign the lien?

15 A. That would be correct.

16 Q. And you also don't know if the mortgage loan
17 is registered on the MERS system?

18 A. We are relying on our attorney network when
19 they check the title --

20 Q. Okay.

21 A. -- to verify what title it is presently in.
22 If it is MERS, we would sign for MERS.

23 Q. Okay.

24 MR. IMMEL: Exhibit E.

25

1 (Defendant's Exhibit Letter E was marked for
2 identification.)

3 BY MR. IMMEL:

4 Q. Here is the GMAC Mortgage, LLC certificate of
5 assistant secretary. Here you go.

6 And you are considered a limited signing
7 officer giving you basically the same responsibility as
8 a junior officer?

9 MS. ARROYAVE: Objection: Form.

10 THE WITNESS: I don't know if that's a correct
11 statement.

12 BY MR. IMMEL:

13 Q. Okay. Are you familiar with this document?

14 A. I have a copy of this document. Which to my
15 recollection means that next to my name it gives me the
16 authority to sign for GMAC and its entities as a limited
17 signing officer.

18 Q. Okay. In this case, you also filed an
19 affidavit of lost original document?

20 MS. ARROYAVE: Objection: Form.

21 BY MR. IMMEL:

22 Q. Okay. And you executed this document. Is
23 this your signature? Here is a copy of it.

24 MR. IMMEL: I'll enter this as Exhibit F, I
25 believe.

1 (Defendant's Exhibit Letter F was marked for
2 identification.)

3 THE WITNESS: Yes, that is my signature.

4 BY MR. IMMEL:

5 Q. Okay. And you signed this affidavit claiming
6 that at the time plaintiff was not presently in custody
7 or control of plaintiff or any of plaintiff's agents,
8 and that would be the note that was not in your -- their
9 custody or control?

10 A. Yes. Once again, we have a process in place
11 where if our attorney needs an original document, they
12 open up a request in our system. At that time, we have
13 another unit -- which is not located in Pennsylvania
14 where I am located -- contact custodians, contact their
15 own records, go to different investors. They do not do
16 an affidavit of this fashion unless they've exhausted
17 all efforts.

18 Q. Okay. Would it be fair to say that you're not
19 involved in any of those efforts?

20 A. That is fair to say.

21 Q. Okay. Why then do they ask you to execute the
22 affidavit of lost document -- lost original document?

23 A. They asked me to execute this for the
24 foreclosure department. Because after conversations
25 between the attorney and this other department, they

1 determine that it is not available. I am the
2 foreclosure team lead that handles document execution.

3 Q. Okay. So would it be accurate to say that the
4 department that actually searches for the lost note
5 would have a better understanding of why it's lost and
6 where the search occurred?

7 A. That is a fair statement.

8 Q. Okay. It says that the copy of said note
9 attached to the complaint is a true and correct and
10 substantial copy of the lost or destroyed note.

11 Do you review any documents before executing
12 the affidavits of lost original documents?

13 A. No, I do not. I review this. Let me change
14 this. Excuse me. I do review this. However, I do not
15 review any documents. I rely, once again, on my
16 attorney network who is requesting the document, and
17 communications between the departments to determine if
18 it's -- if a lost affidavit is needed.

19 Q. Okay. So the portion that sets claims in
20 paragraph 1: Affiant has custody and personal knowledge
21 of the account pertaining the original mortgage loan
22 instruments. Affiant has actual and personal knowledge
23 of the facts stated herein and is authorized to make
24 this affidavit. Would that be accurate?

25 A. Yes, that is accurate.

1 Q. You being the affiant have custody and
2 personal knowledge of the account pertaining to the
3 original mortgage loan instruments?

4 MS. ARROYAVE: Object to the form. Go ahead.

5 THE WITNESS: I do not have the specific
6 knowledge to this one account. But I understand
7 what the other department does in general to try to
8 locate these documents.

9 BY MR. IMMEL:

10 Q. Okay. All right. And so in this particular
11 case, the -- there was no note attached to the
12 complaint. You would have no way of ascertaining that
13 because you don't actually review?

14 A. That, once again, is determined by our
15 attorneys' office.

16 Q. Okay. I'm going to just -- I have a
17 substantial copy of the complaint. And just to show
18 that there is no note attached to it, that was the
19 original filing of the complaint.

20 You have never reviewed that, nor do you
21 review any other note to determine whether it is, in
22 fact, a true, correct and substantial copy of the lost
23 or destroyed note?

24 MS. ARROYAVE: Objection: Form.

25 THE WITNESS: Can you rephrase that for me? I

1 don't completely follow what you are saying.

2 BY MR. IMMEL:

3 Q. When you execute the affidavit of lost
4 original document, and make the claim that you've seen a
5 copy of the note that is attached and that's a
6 substantial copy, you really have no basis for making
7 that claim.

8 THE WITNESS: I'm still not following.

9 MS. ARROYAVE: Objection: Form.

10 BY MR. IMMEL:

11 Q. When the complaint in this case was filed,
12 there was no note attached to the complaint, correct?

13 A. From what you have just handed to me, there is
14 no note.

15 Q. Okay. Based on what I've provided you.

16 A. Yes.

17 Q. Do you normally review notes to make sure that
18 they are a true copy of the lost note?

19 MS. ARROYAVE: Objection: Form.

20 THE WITNESS: That is -- no, I do not. It is
21 not in my position.

22 BY MR. IMMEL:

23 Q. It's not in your position.

24 MR. IMMEL: All right. I guess I can enter
25 this a Exhibit G.

1 (Defendant's Exhibit Letter G was marked for
2 identification.)

3 BY MR. IMMEL:

4 Q. And going back, just for a second, to the lost
5 note affidavit. That is your signature?

6 A. Yes, that's correct.

7 Q. And your understanding is that the attorney
8 representing -- from your network drafts this?

9 A. That is correct.

10 Q. Okay.

11 MR. IMMEL: This is going to be Exhibit H.

12 (Defendant's Exhibit Letter H was marked for
13 identification.)

14 BY MR. IMMEL:

15 Q. This is a copy of the note filed after the
16 complaint in this case. I don't have the notice of
17 filing page.

18 Have you ever seen this document before?

19 A. I have seen these documents. I have not seen
20 this document.

21 Q. Okay. And this wouldn't have been the
22 document that you reviewed in executing the lost note
23 affidavit?

24 A. No. We do not -- once again, we do not review
25 the note. Our attorney determines that the note is not

1 available through our processes.

2 Q. Okay.

3 MR. IMMEL: This would be Exhibit I.

4 (Defendant's Exhibit Letter I was marked for
5 identification.)

6 BY MR. IMMEL:

7 Q. This is the newly found note. Here. And as
8 you can see, if you could compare the two notes, one has
9 a couple of additional endorsements. Whereas, the
10 previous one did not. Is that correct?

11 A. That is what I observe here, yes.

12 Q. Okay. In the review of the two notes and the
13 endorsements that are on them, have you seen this type
14 of situation before where one note that's been filed in
15 the case is partially endorsed and the other is a more
16 complete record of endorsements?

17 A. No, I have not.

18 Q. In following along the endorsements, can you
19 determine who was the last owner of the note prior to
20 your companies?

21 A. I'm sorry. Can you rephrase that for me?

22 Q. Can you determine who GMAC Mortgage, LLC has
23 acquired the mortgage note from?

24 A. The first endorsement I see here has a date.

25 It says, Mortgage Investor Corporation. It's signed on

1 February 27th, I believe, that's 2002.

2 Q. All right. And they were the original lender.
3 And then, as you can see, there is another endorsement
4 there to, I believe, GMAC Mortgage Corporation. And
5 there is also one GMAC Bank. Correct?

6 A. That is correct according to the observation
7 that I see on this document.

8 Q. So would you need an assignment from -- why do
9 you assign the MERS -- as a vice president of MERS, why
10 do you assign the MERS -- I'm sorry. Let me start over
11 there.

12 Why do you execute the assignment of mortgage
13 on behalf of MERS as nominee for the original lender and
14 not the last lender?

15 MS. ARROYAVE: Objection: Form.

16 THE WITNESS: Because as you stated, it's an
17 assignment of mortgage. It's not an assignment of
18 note.

19 BY MR. IMMEL:

20 Q. Right.

21 A. That's the only way I can answer that. The
22 mortgage itself, which we've both reviewed, states that
23 it's MERS as a nominee for Mortgage Investor
24 Corporation.

25 Q. Okay. So would you agree then that as the

1 note was transferred through these endorsements to new
2 note-holders and owners that MERS remained the
3 mortgagee?

4 MS. ARROYAVE: Objection: Form.

5 THE WITNESS: I wouldn't have that knowledge.

6 BY MR. IMMEL:

7 Q. Okay. It's your understanding that MERS does
8 not assign the mortgage every time the note is
9 transferred; is that correct?

10 MS. ARROYAVE: Objection: Form.

11 THE WITNESS: I wouldn't have that knowledge
12 either.

13 BY MR. IMMEL:

14 Q. Okay. All right. Do you know who would have
15 that knowledge?

16 A. No, I do not.

17 Q. Okay. All right.

18 MR. IMMEL: And we have here defendant's
19 request for production regarding the Jeffrey
20 Stephan documents. That will be Exhibit J.

21 (Defendant's Exhibit Letter J was marked for
22 identification.)

23 BY MR. IMMEL:

24 Q. Have you seen that document before?

25 A. I have not seen this document until recently

1 when I found out that I was coming here.

2 Q. Okay. And also we have the response to the
3 request for production regarding the Jeffrey Stephan
4 document.

5 MR. IMMEL: That will be marked as Exhibit K.
6 (Defendant's Exhibit Letter K was marked for
7 identification.)

8 BY MR. IMMEL:

9 Q. I'm going to direct you to paragraph 5 where
10 there has been an objection based on our request for all
11 MERS system documents, records, computer data, or other
12 MERS information reviewed by Jeffrey Stephan prior to
13 executing the assignment of mortgage filed in this case
14 to determine the proper SNE.

15 It's been objected to as vague and ambiguous
16 and improperly presumes that plaintiff has custody or
17 control over any MERS system documents.

18 As a MERS vice president, you don't have
19 access to any MERS system documents?

20 A. No, I do not.

21 Q. Okay.

22 A. I do not work for MERS.

23 Q. Okay. And so you don't actually review any
24 documents prior to executing the assignment of mortgage?

25 MS. ARROYAVE: Asked and answered.

1 BY MR. IMMEL:

2 Q. Okay. And are there any -- do you receive any
3 letters, e-mails, or other correspondence from other
4 departments that have given you any instruction on any
5 of the documents which you execute?

6 A. No.

7 Q. No. And in paragraphs -- request No. 7, as
8 far as the search for the lost note, you didn't actually
9 partake in that search. So you are not aware of any of
10 the locations searched, other than by other people?

11 A. That's correct.

12 Q. Do you know who those people would be that
13 searched for the note?

14 A. There is a team that's in our Minnesota
15 office. I am not familiar with who would actually
16 search for the said document.

17 Q. What is the name of that team? Do you know
18 the name of that team?

19 A. I don't have a formal name for them. I call
20 them document control. But that's my own name for them.

21 Q. Okay. All right. You said that the attorneys
22 representing you prior in this case only ask you to
23 execute the lost note affidavit after a substantial
24 effort has occurred?

25 MS. ARROYAVE: Objection. That goes into the

1 attorney-client privilege.

2 BY MR. IMMEL:

3 Q. As far as you understand, a substantial search
4 for the lost note has already occurred by various people
5 within your team, other teams within GMAC at the request
6 of the attorneys?

7 A. Within GMAC the lost note affidavit or lost
8 instrument affidavit would not be executed until
9 everything has been exhausted.

10 Q. Okay. Is it common for a lost note affidavit
11 to be executed and then later the note to be found?

12 A. I don't know.

13 Q. You're not sure. Okay. Earlier you were
14 mentioning that now you work for GMAC, LLC; is that
15 correct?

16 A. That is correct.

17 Q. And you still execute documents as GMAC
18 Mortgage, LLC limited signing officers, as well?

19 A. That's the same thing you just stated.

20 Q. Right. One they dropped the name -- the
21 mortgage from the name, and one they haven't; is that
22 correct?

23 A. No.

24 Q. No.

25 A. One they dropped corporation and changed it to

1 LLC.

2 Q. Oh, okay.

3 A. They became a limited liability company.

4 That's what LLC stands for.

5 Q. Okay. You said that there was an -- initially
6 there was a referral from the referral department to the
7 attorneys?

8 A. That would be correct.

9 Q. Do you ever review any of those documents in
10 your duties as executing these other documents?

11 A. No.

12 Q. So I'm going to turn to the -- this is the
13 note of authenticity ownership interrogatories limited
14 answers. Here you are.

15 MR. IMMEL: That will be Exhibit L.

16 (Defendant's Exhibit Letter L was marked for
17 identification.)

18 BY MR. IMMEL:

19 Q. Do you know, I think, it is Juan A. Aguirre?

20 A. I do not know him. But I am familiar with his
21 name.

22 Q. Okay. Are you familiar with his duties? He's
23 a senior litigation analyst.

24 A. Yes.

25 Q. Do you know if he's a senior litigation

1 analyst for GMAC Mortgage, LLC, or are there other
2 entities that he works for?

3 A. I honestly do not know.

4 Q. Okay. Would he be part of the document team
5 in Minnesota that may find a note?

6 A. No.

7 Q. No. Okay. Would he be somebody, do you know,
8 if in his duties he's somebody that searches for lost
9 documents?

10 A. No.

11 Q. Okay.

12 MS. ARROYAVE: Is that, no, you don't know?

13 THE WITNESS: No. He does not do that.

14 BY MR. IMMEL:

15 Q. He doesn't do that. Do you know what his
16 duties are?

17 A. As it states here, he is a senior litigation
18 analyst. I'm not sure of what his exact
19 responsibilities would be.

20 Q. Okay. But searching for lost documents
21 wouldn't be one of his responsibilities, more than
22 likely?

23 A. No, it would not be.

24 Q. Okay. And here are plaintiff's amended
25 answers. Okay.

1 MR. IMMEL: I'll mark it as Exhibit M.

2 (Defendant's Exhibit Letter M was marked for
3 identification.)

4 BY MR. IMMEL:

5 Q. It asks to identify all persons and/or
6 entities who are the current beneficial owners of, or
7 who have a beneficial or equitable interest in the
8 promissory note. And Federal National Mortgage
9 Association has been identified, Fannie Mae.

10 Are you aware -- and then if you look at No.
11 3, it says, Please identify all person and/or entities
12 who are current legal owners of, or who have legal
13 interest in the promissory note.

14 A. I don't have the same affidavit you have.

15 Q. Okay. Defendant's note. Do you have the
16 mortgage loan?

17 A. That's the mortgage loan.

18 Q. Okay.

19 MS. ARROYAVE: What has been introduced? Has
20 this set of interrogatory been --

21 MR. IMMEL: Yes.

22 MS. ARROYAVE: But not the other?

23 MR. IMMEL: No. This was also entered,
24 correct?

25 THE COURT REPORTER: I think it was the last

1 one.

2 BY MR. IMMEL:

3 Q. So if you look at paragraphs 2 and 3, can you
4 explain to me why Fannie Mae would have the beneficial
5 or equitable interest in the promissory note, based on
6 your understanding?

7 MS. ARROYAVE: Objection. It calls for a
8 legal conclusion.

9 THE WITNESS: No, I can't.

10 BY MR. IMMEL:

11 Q. And earlier when we discussed the MERS
12 documentation where Ginnie Mae was identified as the
13 investor, would it be fair to say that the beneficial or
14 equitable interest would actually lie with the person
15 who made the loan?

16 MS. ARROYAVE: Objection. It calls for a
17 legal conclusion.

18 THE WITNESS: I don't have that knowledge.

19 BY MR. IMMEL:

20 Q. Okay. And based on the MERS documentation
21 that I presented to you earlier, where the investor was
22 identified as Ginnie Mae. In paragraph 5 here, they are
23 identifying Fannie Mae as the investor.

24 Do you have any understanding of -- as to why
25 those two things would --

1 A. No, I don't.

2 Q. -- there would be a discrepancy there? Okay.
3 All right.

4 And going back to the mortgage loan ownership
5 and the interrogatories one more time. Can you explain
6 why one entity would have the beneficial interest and
7 another entity would have a legal interest --

8 MS. ARROYAVE: Objection. It calls for a
9 legal conclusion.

10 BY MR. IMMEL:

11 Q. -- based on your company's protocols?

12 A. I don't have that knowledge.

13 Q. Okay. GMAC Mortgage owns some loans and
14 services other; is that correct?

15 A. To my knowledge that would be a correct
16 statement.

17 Q. Okay. Do they -- and then in other instances,
18 they both own loan and service the loan?

19 A. That would be a fair statement.

20 Q. Okay. Is it possible that GMAC Mortgage is
21 the servicer for this loan and another entity -- whether
22 it be Fannie Mae, Ginnie Mae, or any other entity --
23 perhaps is the owner and GMAC is just the servicer?

24 A. That's possible. But I'm not familiar enough
25 to say yes or no.

1 Q. Okay. All right. I'm just going to go over
2 the notice of taking the deposition duces tecum.

3 (Defendant's Exhibit Letter N was marked for
4 identification.)

5 BY MR. IMMEL:

6 Q. All right. This is -- and just for the
7 record, Exhibit A, if you would turn to that. This is a
8 list of the documents that we requested that you bring.
9 A request for production. And you provided some of them
10 earlier.

11 I just wanted to go over it and see if you
12 brought any of these documents today, or if you were
13 just relying on what was produced in the request for
14 production. Okay?

15 The deponent's most recent curriculum vitae?

16 A. I didn't feel I needed to bring that. That's
17 personal.

18 Q. Okay. You actually provided the corporate
19 resolution for MERS and for GMAC. You presented the
20 list of certifying officers. And the MERS system
21 documents records, you already stated that you don't
22 have any access.

23 Your team brings you the documents. And you
24 don't receive any direct communication from the
25 attorneys that draft them?

1 A. The only type of communication I would receive
2 from an attorney is if a document is late in being
3 returned.

4 Q. Okay. All right. And it would be fair to say
5 that your primary responsibility is to create and
6 execute these documents, not to actually do any of the
7 underlying duties of ascertaining specific knowledge or
8 information about them, correct?

9 MS. ARROYAVE: Objection: Form. Asked and
10 answered.

11 THE WITNESS: And the answer to that would be,
12 no.

13 MR. IMMEL: All right. I think that's most of
14 it. Just let me have on second to review, but I
15 think that's most of it. All right. I think that
16 should do it for today.

17 Thank you very much for traveling here.

18 MS. ARROYAVE: I have a few questions.

19 MR. IMMEL: Yeah. I'm sorry about that.

20 MS. ARROYAVE: You can't have all of the fun.
21 Can I look at the exhibits?

22 CROSS (JEFFREY STEPHAN)

23 BY MS. ARROYAVE:

24 Q. I'm going to show you what has been previously
25 marked as Defendant's Exhibit C to your deposition.

1 Do you have any knowledge of how this document
2 is created?

3 A. No.

4 Q. Do you have any knowledge as to whether the
5 information in this document is accurate?

6 A. No.

7 Q. Do you know how this is prepared?

8 A. No.

9 Q. Okay. Let me show you what has been
10 previously marked as Defendant's Exhibit A to your
11 deposition. It is the assignment of mortgage.

12 The information that is used to prepare this
13 mortgage is kept in GMAC Mortgages' business records; is
14 that correct?

15 A. Yes.

16 Q. And these business records from where this
17 information came from were created by persons in GMAC
18 Mortgage, employees of GMAC Mortgage, right?

19 A. Yes.

20 Q. And the information was entered into the
21 computer system by these GMAC Mortgage employees at the
22 time that they became aware of the information?

23 A. Yes.

24 Q. And they had a business duty to enter the
25 information into the computer system; is that correct?

1 A. Yes.

2 Q. And this information, these business records
3 are kept within the course and scope of GMAC's regularly
4 conducted business activities; is that correct?

5 A. I'm going to say yes.

6 Q. Okay. I'm going to show you what has been
7 previously marked as Defendant's Exhibit F to your
8 deposition. And it's the affidavit of lost original
9 document.

10 Is the information you used to prepare this
11 lost original document kept in GMAC Mortgages' business
12 records?

13 A. I don't understand the question.

14 Q. Okay. The information in the lost original
15 document, is that -- GMAC Mortgage is the owner and
16 holder of the note, correct?

17 A. Yes.

18 Q. Is that information kept within the course and
19 scope of GMAC's business records?

20 A. Yes.

21 Q. And the information in GMAC's business records
22 are entered by persons with knowledge of the information
23 that GMAC is the owner of the note?

24 MR. IMMEL: Objection: Leading.

25 THE WITNESS: Can you rephrase it? I'm not

1 sure if I follow what you are saying.

2 BY MS. ARROYAVE:

3 Q. The business records that GMAC has regarding
4 whether it is the original -- whether it is the owner of
5 the note, was entered by persons that have personal
6 knowledge of whether GMAC is the owner of the note; is
7 that correct?

8 A. I honestly don't know. I do not work in those
9 departments.

10 Q. Okay.

11 MS. ARROYAVE: I have nothing further.

12 REDIRECT (JEFFREY STEPHAN)

13 BY MR. IMMEL:

14 Q. I would just ask: The assignment of the
15 mortgage and the information on it, this is not created
16 by anyone at -- this specific document isn't actually
17 created by a member or a worker for GMAC Mortgage, it is
18 actually created by the attorney?

19 A. Yes.

20 Q. Okay. So the attorney would have to be
21 relying on business records of GMAC Mortgage in forming
22 this?

23 A. That would be correct.

24 Q. Okay. And as to the lost note, this too is
25 created by the attorney, correct?

1 A. That is correct.

2 Q. Okay.

3 MR. IMMEL: All right. That does it.

4 MS. ARROYAVE: That's it.

5 MR. IMMEL: All right. Thank you.

6 MS. ARROYAVE: We will read.

7 THE COURT REPORTER: Okay.

8 (Witness excused.)

9 (Deposition was concluded.)

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CERTIFICATE OF OATH

THE STATE OF FLORIDA

COUNTY OF PALM BEACH

I, the undersigned authority, certify that Jeffrey
Stephan personally appeared before me and was duly
sworn. Dated the 10th day of December, 2009.

Dated this 22nd day of December, 2009.

Jamie Reynolds Bentley



Jamie Reynolds Bentley, Court Reporter
Notary Public - State of Florida
My Commission Expires: 7/20/2013
My Commission No.: DD 453053

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C E R T I F I C A T E

THE STATE OF FLORIDA
COUNTY OF PALM BEACH

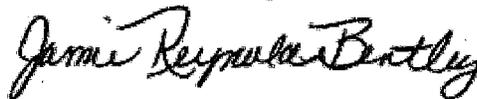
I, Jamie Reynolds Bentley, Court Reporter and Notary Public in and for the State of Florida at large, do hereby certify that I was authorized to and did report said deposition in stenotype; and that the foregoing pages are a true and correct transcription of my shorthand notes of said deposition.

I further certify that said deposition was taken at the time and place hereinabove set forth and that the taking of said deposition was commenced and completed as hereinabove set out.

I further certify that I am not attorney or counsel of any of the parties, nor am I a relative or employee of any attorney or counsel of party connected with the action, nor am I financially interested in the action.

The foregoing certification of this transcript does not apply to any reproduction of the same by any means unless under the direct control and/or direction of the certifying reporter.

Dated this 22nd day of December, 2009.



Jamie Reynolds Bentley, Court Reporter

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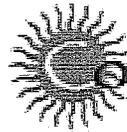
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THE STATE OF FLORIDA
COUNTY OF PALM BEACH

I hereby certify that I have read the foregoing deposition by me given, and that the statements contained herein are true and correct to the best of my knowledge and belief, with the exception of any corrections or notations made on the errata sheet, if one was executed.

Dated this ____ day of _____,
2009.

JEFFREY STEPHAN

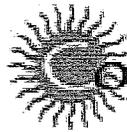


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Microsoft Outlook

From: Morris, Lucy
Sent: Friday, September 24, 2010 4:17 PM
To: 'Ellis, Susan'
Subject: RE: Ally deposition

Thank you so much.

Lucy Morris
U.S. Treasury Department
[REDACTED]
Lucy.Morris@do.treas.gov

-----Original Message-----

From: Ellis, Susan [mailto:sellis@atg.state.il.us]
Sent: Friday, September 24, 2010 3:46 PM
To: Morris, Lucy
Cc: Hagan, Deborah; Abundis, Cecilia
Subject: Ally deposition

Lucy,

Attached is the deposition of the Ally/GMAC employee.

Best regards,

Susan Ellis
Assistant Bureau Chief, Consumer Fraud
Office of the Illinois Attorney General
500 South Second Street
Springfield, IL 62706
tel: [REDACTED]
fax: [REDACTED]

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Microsoft Outlook

From: Ellis, Susan [sellis@atg.state.il.us]
Sent: Friday, September 24, 2010 4:17 PM
To: Morris, Lucy
Subject: RE: Ally deposition

No problem.

Susan Ellis
Assistant Bureau Chief, Consumer Fraud
Office of the Illinois Attorney General
500 South Second Street
Springfield, IL 62706
tel: [REDACTED]
fax: [REDACTED]

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-----Original Message-----

From: Lucy.Morris@do.treas.gov [mailto:Lucy.Morris@do.treas.gov]
Sent: Friday, September 24, 2010 3:17 PM
To: Ellis, Susan
Subject: RE: Ally deposition

Thank you so much.

Lucy Morris
U.S. Treasury Department
[REDACTED]
Lucy.Morris@do.treas.gov

-----Original Message-----

From: Ellis, Susan [mailto:sellis@atg.state.il.us]
Sent: Friday, September 24, 2010 3:46 PM
To: Morris, Lucy
Cc: Hagan, Deborah; Abundis, Cecilia
Subject: Ally deposition

Lucy,

Attached is the deposition of the Ally/GMAC employee.

Best regards,

Susan Ellis
Assistant Bureau Chief, Consumer Fraud
Office of the Illinois Attorney General
500 South Second Street
Springfield, IL 62706

tel: [REDACTED]
fax: [REDACTED]

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Microsoft Outlook

From: Bleicken, David [dbleicken@state.pa.us]
Sent: Thursday, December 02, 2010 4:46 PM
To: Cross, Chuck (CFPB)
Cc: Morris, Lucy (CFPB); Twohig, Peggy (CFPB)
Subject: Re: Net Present Value Calculations

Thanks, Chuck!

Sent from my BlackBerry Wireless Device

----- Original Message -----

From: Chuck.Cross@do.treas.gov [mailto:Chuck.Cross@do.treas.gov]
Sent: Thursday, December 02, 2010 04:40 PM
To: Bleicken, David
Cc: Lucy.Morris@do.treas.gov <Lucy.Morris@do.treas.gov>; Peggy.Twohig@do.treas.gov <Peggy.Twohig@do.treas.gov>
Subject: RE: Net Present Value Calculations

Okay David, just got off the phone. Tomorrow, call Eric Chader at [REDACTED]. He's expecting you. You and he will have a first conversation and then he will loop in their compliance team managers for further discussions. Lucy, he invited one of us into the conversation too if we want. I told him that I wasn't the person on point with this.

He said that their team is periodically testing a sample of the failed HAMP loans, so they may be doing exactly what the states are trying to do already.

Let me know if I can help further.

-----Original Message-----

From: Bleicken, David [mailto:dbleicken@state.pa.us]
Sent: Thursday, December 02, 2010 4:01 PM
To: Cross, Chuck (CFPB)
Subject: RE: Net Present Value Calculations

That's very interesting. I didn't know all that. Maybe that's what we do. When you hear back from the other person, I'll connect with you. Thanks!!!

-----Original Message-----

From: Chuck.Cross@do.treas.gov [mailto:Chuck.Cross@do.treas.gov]
Sent: Thursday, December 02, 2010 3:45 PM
To: Bleicken, David
Subject: RE: Net Present Value Calculations
Importance: High

I'm getting close. Working my way through the HAMP staff expert by expert. I may misunderstand your request or you guys might have a different understanding of how the calculator works. Here's what I know at the moment:

1. Servicers are simply provided code and requirements. From there each servicer must write the software and create their own calculator.
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-----Original Message-----

From: Bleicken, David [mailto:dbleicken@state.pa.us]
Sent: Thursday, December 02, 2010 1:00 PM
To: Cross, Chuck (CFPB)
Subject: FW: Net Present Value Calculations

Dear Chuck,

On behalf of not only the Pennsylvania Department of Banking but all of the states participating in the 8 multistate servicing examinations, would you please see what you could do to provide the states with direct access to the NPV software tool referenced below? We need it to use if for our examinations. My understanding is that Treasury controls access to this.

Thanks!

David

David H. Bleicken | Deputy Secretary
Non-Depository Institutions and Consumer Services [cid:image001.jpg@01CB9220.E1D03AC0]
17 North Second Street, 13th Floor | Hbg PA 17101
Phone: [REDACTED] | Fax: [REDACTED]
dbleicken@state.pa.us<mailto:dbleicken@state.pa.us> |
www.banking.state.pa.us<http://www.banking.state.pa.us/>

From: Hall, Patrick
Sent: Tuesday, November 30, 2010 2:45 PM
To: Bleicken, David
Subject: Net Present Value Calculations

David,

Could you please try and obtain the HAMP Eligibility Treasury Base NPV Model Software Tool for our use. This would allow us to verify if the company was properly rejecting HAMP loan modification eligibility. The software is available via a download from www.HMPAdmin.com once you have the appropriate logon information.

Thanks,
Pat

Patrick J Hall
Senior Financial Institutions Examiner
PA Department of Banking

Microsoft Outlook

From: Bleicken, David [dbleicken@state.pa.us]
Sent: Friday, December 03, 2010 11:05 AM
To: Morris, Lucy (CFPB)
Cc: Twohig, Peggy (CFPB); Cross, Chuck (CFPB)
Subject: RE: Net Present Value Calculations

Morning Lucy!

I had a quick preliminary call with Eric Chader and he seemed very interested in pursuing 1) a discussion about getting the states access to the NPV calculator and 2) working together with the states on the issue in some way. He and a colleague gave me a thumbnail sketch of how servicers use the software and how they audit servicers. The net is he was very positive and suggested getting together with his boss, Dawn Patterson. I suggested that we include you along with someone from CSBS and he was fine with that.

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From: Chuck.Cross@do.treas.gov [mailto:Chuck.Cross@do.treas.gov]
Sent: Thursday, December 02, 2010 4:41 PM
To: Bleicken, David
Cc: Lucy.Morris@do.treas.gov; Peggy.Twohig@do.treas.gov
Subject: RE: Net Present Value Calculations
Importance: High

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Thanks,
Pat

Patrick J Hall
Senior Financial Institutions Examiner
PA Department of Banking

Microsoft Outlook

From: Morris, Lucy (CFPB)
Sent: Friday, December 03, 2010 12:26 PM
To: 'Bleicken, David'
Cc: Twohig, Peggy (CFPB); Cross, Chuck (CFPB); Hrdy, Alice (CFPB)
Subject: RE: Net Present Value Calculations

David,

Yes, that makes a lot of sense. From CFPB, it probably makes sense for me and/or Alice Hrdy to attend. Thanks,

Lucy Morris
U.S. Treasury Department
CFPB Implementation Team
[REDACTED]
Lucy.Morris@do.treas.gov

-----Original Message-----

From: Bleicken, David [mailto:dbleicken@state.pa.us]
Sent: Friday, December 03, 2010 11:05 AM
To: Morris, Lucy (CFPB)
Cc: Twohig, Peggy (CFPB); Cross, Chuck (CFPB)
Subject: RE: Net Present Value Calculations

Morning Lucy!

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Subject: Net Present Value Calculations

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Thanks,
Pat

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Senior Financial Institutions Examiner
PA Department of Banking

Microsoft Outlook

From: Bleicken, David [dbleicken@state.pa.us]
Sent: Friday, December 03, 2010 12:37 PM
To: Morris, Lucy (CFPB)
Cc: Twohig, Peggy (CFPB); Cross, Chuck (CFPB); Hrdy, Alice (CFPB)
Subject: RE: Net Present Value Calculations

Ok. On it.

-----Original Message-----

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Sent: Friday, December 03, 2010 12:26 PM
To: Bleicken, David
Cc: Peggy.Twohig@do.treas.gov; Chuck.Cross@do.treas.gov; Alice.Hrdy@do.treas.gov
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To: Bleicken, David
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Senior Financial Institutions Examiner
PA Department of Banking

Microsoft Outlook

From: Bleicken, David [dbleicken@state.pa.us]
Sent: Friday, December 03, 2010 12:46 PM
To: Chader, Eric
Cc: Morris, Lucy (CFPB); Hrdy, Alice (CFPB); John Ryan; Michael Stevens; John Prendergast
Subject: Follow Up - Livelink 35 KB

Attachments: image001.jpg - 28 KB



image001.jpg - 28
KB (184 B)

Hi Eric!

To follow up on our call earlier today, we would like to get together to discuss:

1) whether the states can have access to Treasury's NPV calculation software in some form for use in the 8 major servicing exams that are underway related to recent accounts of misconduct by mortgage servicers; and

2) globally, how the states and Treasury can work together on monitoring loan modification performance of the entities under our respective jurisdictions. We would be glad to meet with Dawn Patterson, you and anyone else you think relevant at Treasury.

I have cc'd Lucy Morris and Alice Hrdy from CFPB and John Ryan, Mike Stevens and John Prendergast from CSBS to keep everyone in the loop, although I am mindful of the need to keep the meeting size with your boss reasonable.

Wednesday and Friday next week work best for me.

Thanks for your help!

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From: Bleicken, David [dbleicken@state.pa.us]
Sent: Friday, December 03, 2010 4:09 PM
To: Chader, Eric
Cc: Morris, Lucy (CFPB); Hrdy, Alice (CFPB); jryan@csbs.org; MStevens@csbs.org; JPrendergast@csbs.org
Subject: RE: Follow Up

Great! Thanks, Eric, and have a great weekend!

-----Original Message-----

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Microsoft Outlook

From: Warren, Elizabeth (CFPB)
Sent: Tuesday, December 14, 2010 9:50 AM
To: Geldon, Daniel (CFPB); *Tom Miller*; etabor@ag.state.ia.us; AJL53@law.georgetown.edu
Subject: sampling for other errors

Tom and Eric,

It was good to see you both and to have a chance to talk about mortgage foreclosure issues.

As I promised, I am making an electronic introduction to Professor Adam Levitin. Adam has a good plan to sample servicers' files for a broader look at where servicer errors may have occurred. I believe his idea could be executed in a short time with minimal resources. In any case, I know he is willing to help the AGs, and it may be useful for you to talk with him.

Good luck in the investigation. Please let me know if I can be helpful.

ew

Microsoft Outlook

From: Bleicken, David [dbleicken@state.pa.us]
Sent: Wednesday, January 05, 2011 2:11 PM
To: Hrdy, Alice (CFPB); Morris, Lucy (CFPB)
Cc: 'John Prendergast'
Subject: Patrick Madigan - Livelink 32 KB

Attachments: image001.jpg - 28 KB



image001.jpg - 28
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I spoke with Patrick Madigan and he'd be glad to have a conversation with us to explore ideas. No commitments yet, but he is interested in hearing what we were talking about.

When is everyone open?

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Microsoft Outlook

From: Morris, Lucy (CFPB)
Sent: Thursday, January 06, 2011 5:32 PM
To: 'dbleicken@state.pa.us'; Hrdy, Alice (CFPB)
Cc: 'JPrendergast@csbs.org'
Subject: Re: Patrick Madigan

I could do a call tomorrow anytime between 12 and 3 EST. Thanks, Lucy

----- Original Message -----

From: Bleicken, David <dbleicken@state.pa.us>
To: Hrdy, Alice (CFPB); Morris, Lucy (CFPB)
Cc: 'John Prendergast' <JPrendergast@csbs.org>
Sent: Wed Jan 05 14:10:33 2011
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Microsoft Outlook

From: Bleicken, David [dbleicken@state.pa.us]
Sent: Thursday, January 06, 2011 8:13 PM
To: Morris, Lucy (CFPB); Hrdy, Alice (CFPB)
Cc: 'jprendergast@csbs.org'; 'anorton@dllr.state.md.us'; 'Jane.Azia@banking.state.ny.us'
Subject: Re: Patrick Madigan

That time frame won't work. How about Monday?

Anne and Jane, this is in follow up to our meeting earlier this week. Can you guys do Monday sometime?

Sent from my BlackBerry Wireless Device

----- Original Message -----

From: Lucy.Morris@do.treas.gov [mailto:Lucy.Morris@do.treas.gov]
Sent: Thursday, January 06, 2011 05:32 PM
To: Bleicken, David; Alice.Hrdy@do.treas.gov <Alice.Hrdy@do.treas.gov>
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17 North Second Street, 13th Floor | Hbg PA 17101
Phone: [REDACTED] | Fax: [REDACTED]
dbleicken@state.pa.us<mailto:dbleicken@state.pa.us> |
www.banking.state.pa.us<http://www.banking.state.pa.us/>

Microsoft Outlook

From: Anne B. Norton [anorton@dllr.state.md.us]
Sent: Thursday, January 06, 2011 9:30 PM
To: dbleicken@state.pa.us; Morris, Lucy (CFPB); Hrdy, Alice (CFPB)
Cc: JPrendergast@csbs.org; Jane.Azia@banking.state.ny.us
Subject: Re: Patrick Madigan

I have time on monday from noon-1pm and after 3 if that works for everyone else.

Thanks for coordinating, David!

----- Original Message -----

From: Bleicken, David <dbleicken@state.pa.us>
To: 'Lucy.Morris@do.treas.gov' <Lucy.Morris@do.treas.gov>; 'Alice.Hrdy@do.treas.gov' <Alice.Hrdy@do.treas.gov>
Cc: 'jprendergast@csbs.org' <jprendergast@csbs.org>; Anne B. Norton; 'Jane.Azia@banking.state.ny.us' <Jane.Azia@banking.state.ny.us>
Sent: Thu Jan 06 20:13:11 2011
Subject: Re: Patrick Madigan

That time frame won't work. How about Monday?

Anne and Jane, this is in follow up to our meeting earlier this week. Can you guys do Monday sometime?

Sent from my BlackBerry Wireless Device

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Sent: Thursday, January 06, 2011 05:32 PM
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Cc: JPrendergast@csbs.org <JPrendergast@csbs.org>
Subject: Re: Patrick Madigan

I could do a call tomorrow anytime between 12 and 3 EST. Thanks, Lucy

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From: Bleicken, David <dbleicken@state.pa.us>
To: Hrdy, Alice (CFPB); Morris, Lucy (CFPB)
Cc: 'John Prendergast' <JPrendergast@csbs.org>
Sent: Wed Jan 05 14:10:33 2011
Subject: Patrick Madigan

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When is everyone open?

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This message was secured by ZixCorp(R).

Microsoft Outlook

From: Bleicken, David [dbleicken@state.pa.us]
Sent: Friday, January 07, 2011 7:22 AM
To: 'anorton@dllr.state.md.us'; Morris, Lucy (CFPB); Hrdy, Alice (CFPB)
Cc: 'jprendergast@csbs.org'; 'Jane.Azia@banking.state.ny.us'
Subject: Re: Patrick Madigan

You bet!

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Microsoft Outlook

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Sent: Friday, January 07, 2011 8:33 AM
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Cc: 'jprendergast@csbs.org'; 'Jane.Azia@banking.state.ny.us'
Subject: RE: Patrick Madigan

Alice and I are free between 3 and 5 EST on Monday. Thanks,

Lucy

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Ok. Jane, does that work for you?

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Microsoft Outlook

Subject: Conference Call on Potential for AG-State Banking Department-CFPB Partnership

Start: Mon 1/10/2011 3:30 PM
End: Mon 1/10/2011 4:30 PM

Recurrence: (none)

Meeting Status: Accepted

Required Attendees: Morris, Lucy (CFPB); Hrdy, Alice (CFPB); Patrick Madigan (pmadiga@ag.state.ia.us); Jane.Azia@banking.state.ny.us; Anne Norton; John Prendergast

When: Monday, January 10, 2011 3:30 PM-4:30 PM (UTC-05:00) Eastern Time (US & Canada).

Note: The GMT offset above does not reflect daylight saving time adjustments.

~~*~*~*~*~*~*~*~*

Dial In #: [REDACTED]
Conference ID [REDACTED]

We will discuss and explore:

1. Potential assistance from/involvement by CFPB in servicer settlements post go-live date in July.
2. The possibility of an MOU between the AGs and CFPB similar to the CSBS MOU.
3. Other matters deemed relevant

Thanks!

Microsoft Outlook

From: Cordray, Richard (CFPB)
Sent: Monday, February 14, 2011 7:38 PM
To: 'patrick.madigan@iowa.gov'
Subject: Call Tuesday at 1:00 Central Time
Attachments: Servicer Perspectives 021311.pdf

Patrick, attached are the slides we will be discussing confidentially; also, as far as we are concerned, Tom should use his judgment about who else will be on the call from the smaller working group on your end, as long as everyone understands this is an idea we are presenting in confidential terms.

Shoot me an email back so I can make sure you got this

Also, if there will be multiple people on the call, do you have a call-in number and details that we can all use? Or let me know if you need us to set it up, though I will not know how to get in touch with any others joining on your end

Thanks
Rich

CONSUMER FINANCIAL PROTECTION BUREAU

DRAFT
021311 7:50pm

Perspectives on Settlement Alternatives in Mortgage Servicing

Discussion document

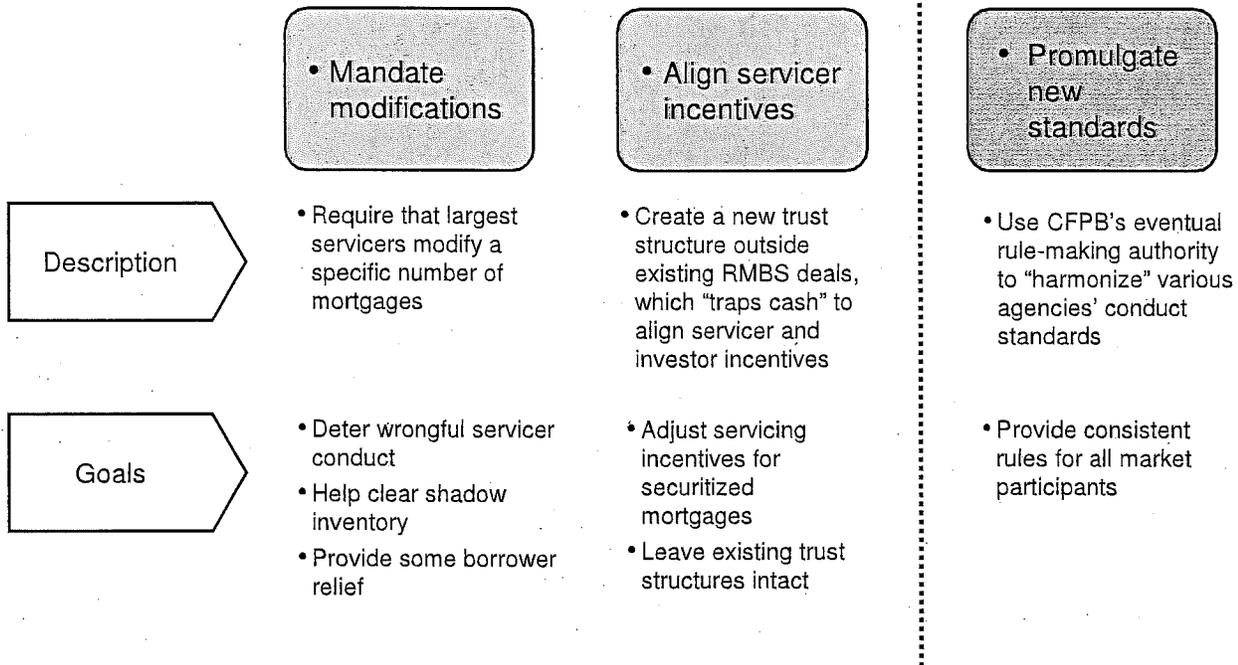
February 13, 2011

DRAFT—CONFIDENTIAL FOR AG MILLER

The prospect of a "global" settlement provides the potential for broad reform.

MORTGAGE SERVICING SETTLEMENT IN CONTEXT

—Enabled by a Settlement—



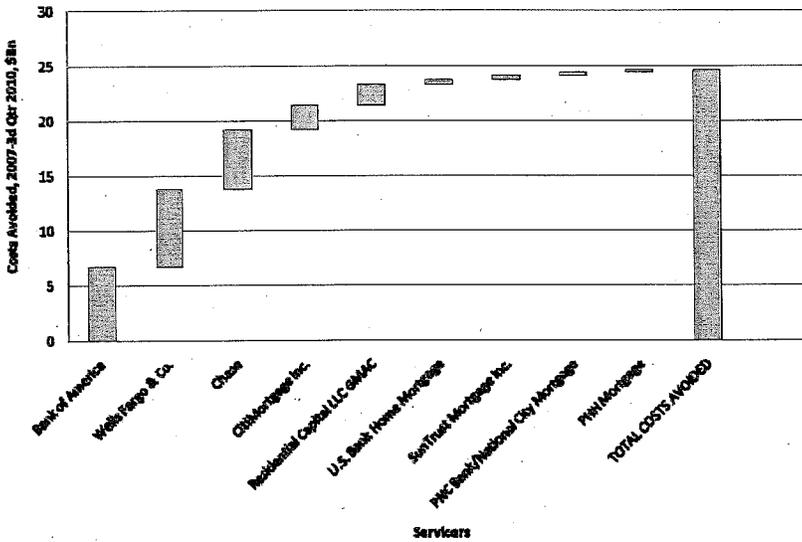
Rough estimates suggest that the largest servicers may have saved more than \$20 billion through underinvestment in proper servicing during the crisis. As a result, a notional penalty of roughly \$5 billion would seem too low.

CALIBRATING THE SIZE OF POTENTIAL PENALTIES

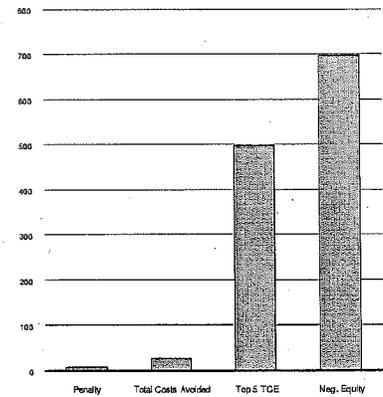
Estimated Servicing Costs Avoided, 2007-3Q10
\$ Billions (Source: CFPB)

Assumptions:

- 75 bps annual revenues on delinquent loans
- "Proper" servicing would have cost 150 bps/yr



Notional \$5 Billion in Context
\$ Billions

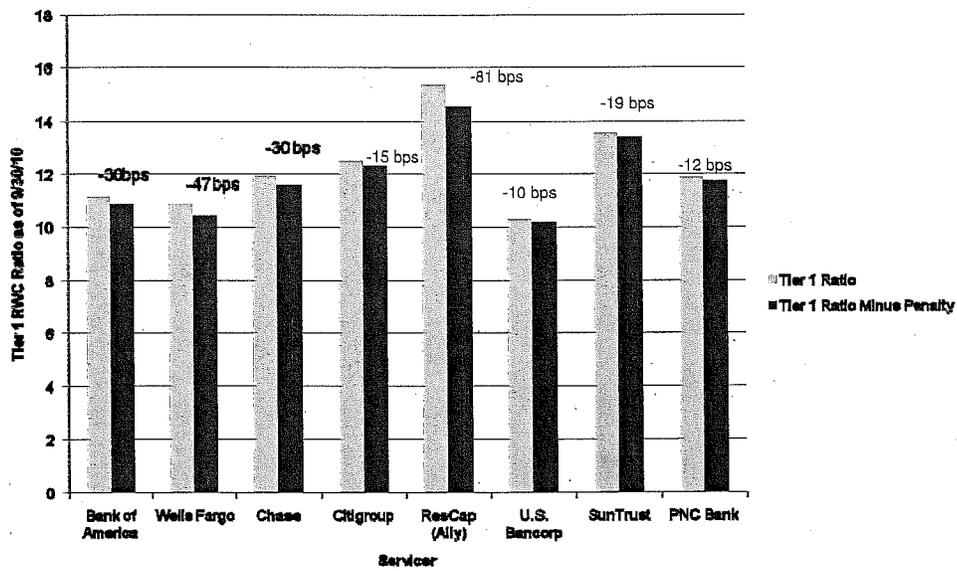


Source: CFPB

DRAFT—CONFIDENTIAL FOR AG MILLER

A penalty based on servicing costs avoided would have little effect on Tier 1 capital ratios.

EFFECT OF PENALTY ON TIER 1 CAPITAL



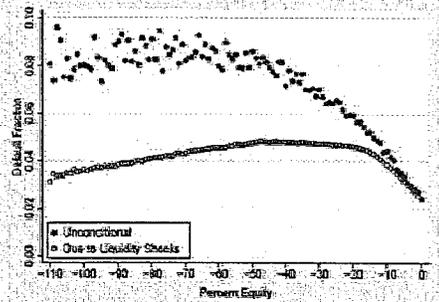
Source: CFPB

DRAFT—CONFIDENTIAL FOR AG MILLER

Given the magnitude of the “shadow inventory” problem, we have gravitated towards settlement solutions that enable asset liquidity and cast a wide net. In particular, we have focused on principal reduction-modifications and the short sales enabled by them. As borrowers become increasingly underwater, they are more likely to default. To date, though, principal reductions have been relatively under-utilized.

NEGATIVE EQUITY, DELINQUENCY, AND PRINCIPAL REDUCTION

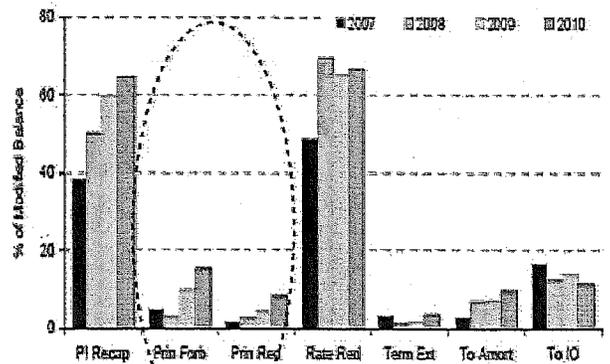
Figure 3. Decomposition of Default Probability by Percent Housing Equity



Note: Figure based on 1.9 million loan-month observations. Percent Equity is measured as a percent of current house value and is rounded to the nearest percentage point. Solid circles represent the unconditional probability of default at a given equity level. Hollow circles represent the probability of default due to experiencing a liquidity shock at a given equity level.

Bhutta, Dokko & Shan (2009).

Figure 8. Distribution by Modification Type (All Sectors)



Source: Citi, Loan Performance

The scope of a settlement-driven loan modification requirement can be roughly calibrated to the likely cost to servicers from principal forgiveness. Principal reductions would (1) make payments somewhat more affordable; (2) free underwater borrowers to sell or refinance their homes; and (3) thereby help the housing market clear. Notably, some fraction of the cost of modifications (for NPV-positive modifications) might legitimately be pushed from servicers onto MBS investors.

CALIBRATING BREADTH AND DEPTH

Example

- Require [3.0] million principal-reduction mods over six months (principal forgiven)
 - Apportion by market share
 - With or without short sale
- Simple eligibility standards
 - Residential owner-occupied
 - Current CLTV > [100%]
 - Not FHA or VA loans
- Principal must be written down to [95%] CLTV
 - Reduction in second lien mortgages held by any party to settlement
- Monitor compliance
- Make penalty for failure to execute big enough to encourage loan mods
- Servicers fund write-down (makes investors whole)
 - But investors absorb write-down when NPV positive.

Cost of Aggregate Principal Reduction (Assuming servicers modify *least* underwater borrowers) \$ Billions

		Breadth: Millions of Loans Modified					
		0.5	1.0	1.5	2.0	2.5	3.0
Depth: Reduce each Loan CLTV	> 100% to 95%	\$7.0	\$13.9	\$20.9	\$27.9	\$34.8	\$41.8
	> 100% to 90%	\$10.6	\$21.1	\$31.7	\$42.3	\$52.9	\$63.4
	> 105% to 95%	\$7.1	\$14.3	\$21.4	\$33.3	\$51.9	\$70.5
	> 115% to 100%	\$13.4	\$28.1	\$51.5	\$74.9	\$103.9	\$135.2

Note: Assuming servicers modify *least* underwater borrowers; excludes FHA and VA loans

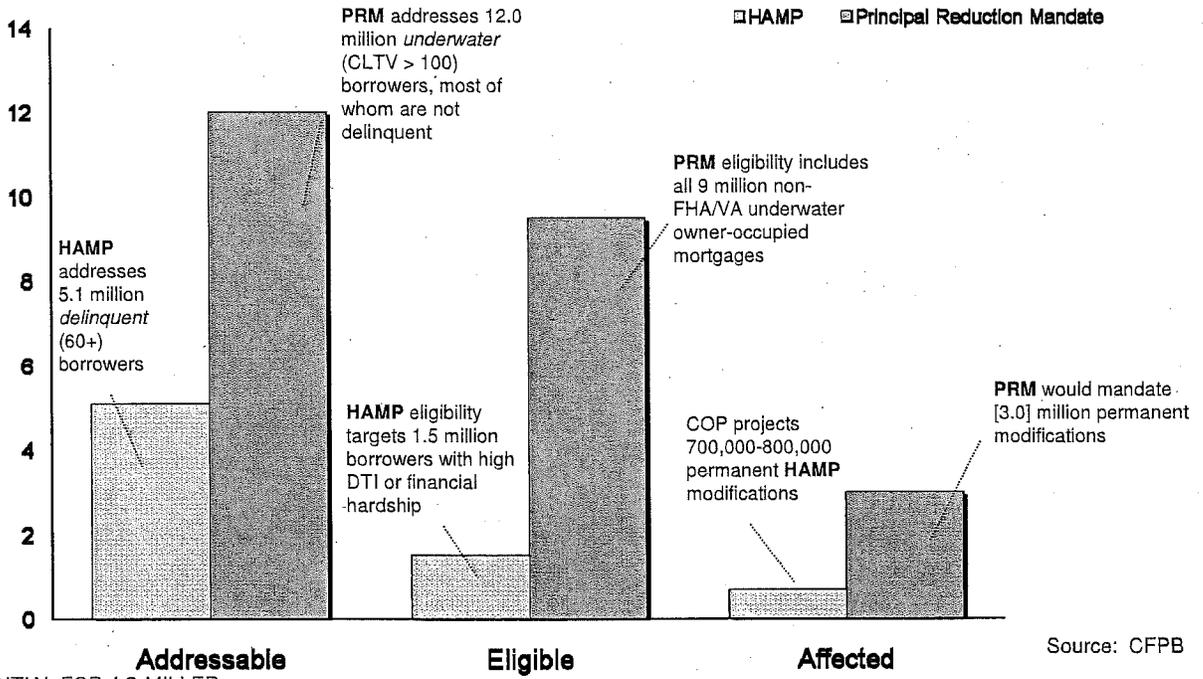
Source: CFPB analysis based on FRB staff research

DRAFT—CONFIDENTIAL FOR AG MILLER

A principal reduction mandate could be meaningfully additive to HAMP.

PRINCIPAL REDUCTION MANDATE (PRM) VS. HAMP

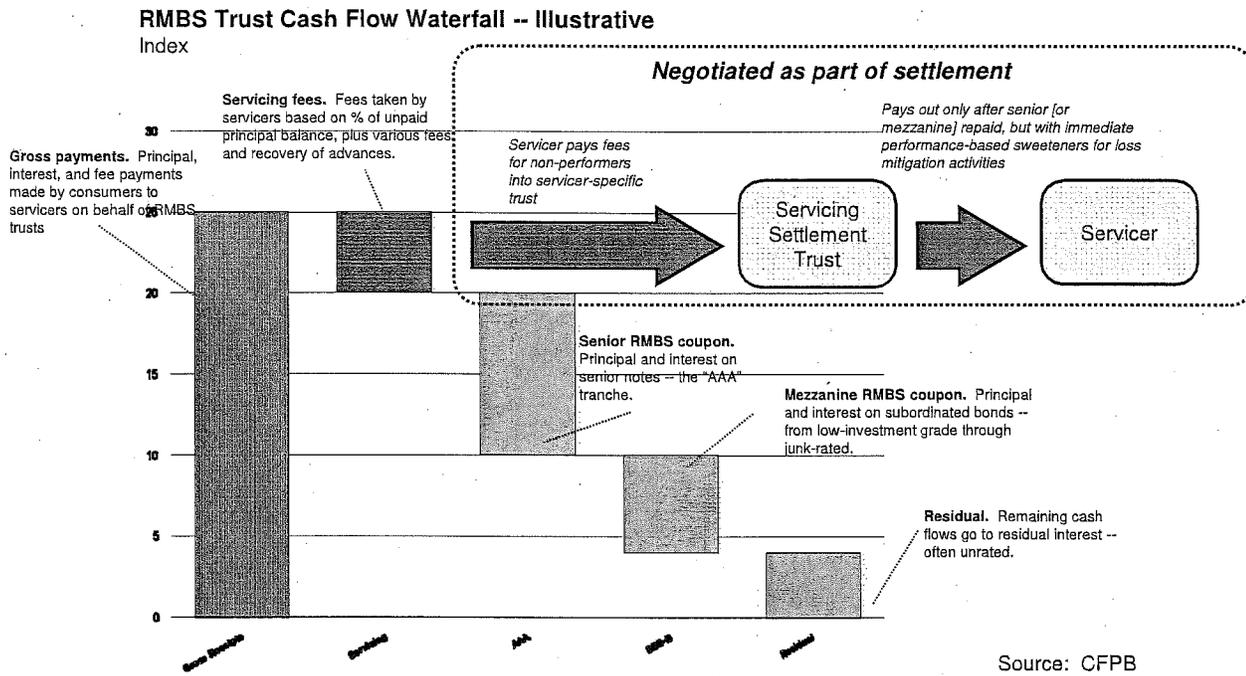
Comparison of Borrower Universe, Eligibility, and Impact
Millions



DRAFT—CONFIDENTIAL FOR AG MILLER

In addition to a modification mandate, there may be creative settlement options that encourage additional loss mitigation, but do not require burdensome micro-management of modification standards. One alternative: creating a trust "wrapper" that synthetically subordinates servicing fees paid out of RMBS trusts. In effect, that could (1) begin to align servicers' incentives with investors, (2) avoid delivering a credit-support windfall to bondholders, and (3) side-step having to renegotiate the cash flow waterfalls of hundreds or thousands of trust structures.

CHANGING SERVICER COMPENSATION ON EXISTING DEALS



Microsoft Outlook

From: Madigan, Patrick [AG] [Patrick.Madigan@iowa.gov]
Sent: Monday, February 14, 2011 10:33 PM
To: Cordray, Richard (CFPB)
Subject: RE: Call Tuesday at 1:00 Central Time

Rich,

I have received your message. It would work best if you could provide a number and send it to me. I will then make sure it gets to the state people. We will let you know before the call what other states we have invited.

From: Richard.Cordray@treasury.gov [mailto:Richard.Cordray@treasury.gov]
Sent: Mon 2/14/2011 6:37 PM
To: Madigan, Patrick [AG]
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Thanks

Rich

Microsoft Outlook

From: Cordray, Richard (CFPB)
Sent: Tuesday, February 15, 2011 10:59 AM
To: 'Madigan, Patrick [AG]'
Subject: RE: Call Tuesday at 1:00 Central Time

I am told this is now set up for an hour as follows:

Dial-in # [REDACTED]
Access code [REDACTED]

Rich

-----Original Message-----

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From: Cordray, Richard (CFPB)
Sent: Tuesday, February 15, 2011 11:08 AM
To: 'Madigan, Patrick [AG]'
Subject: Attachment for Today's Call
Attachments: Servicer Perspectives 021411.pdf

Patrick, replace prior document with this version, apparently contains some updates, for reference on today's call

Thx
Rich

CONSUMER FINANCIAL PROTECTION BUREAU

DRAFT
021411 8:05pm

Perspectives on Settlement Alternatives in Mortgage Servicing

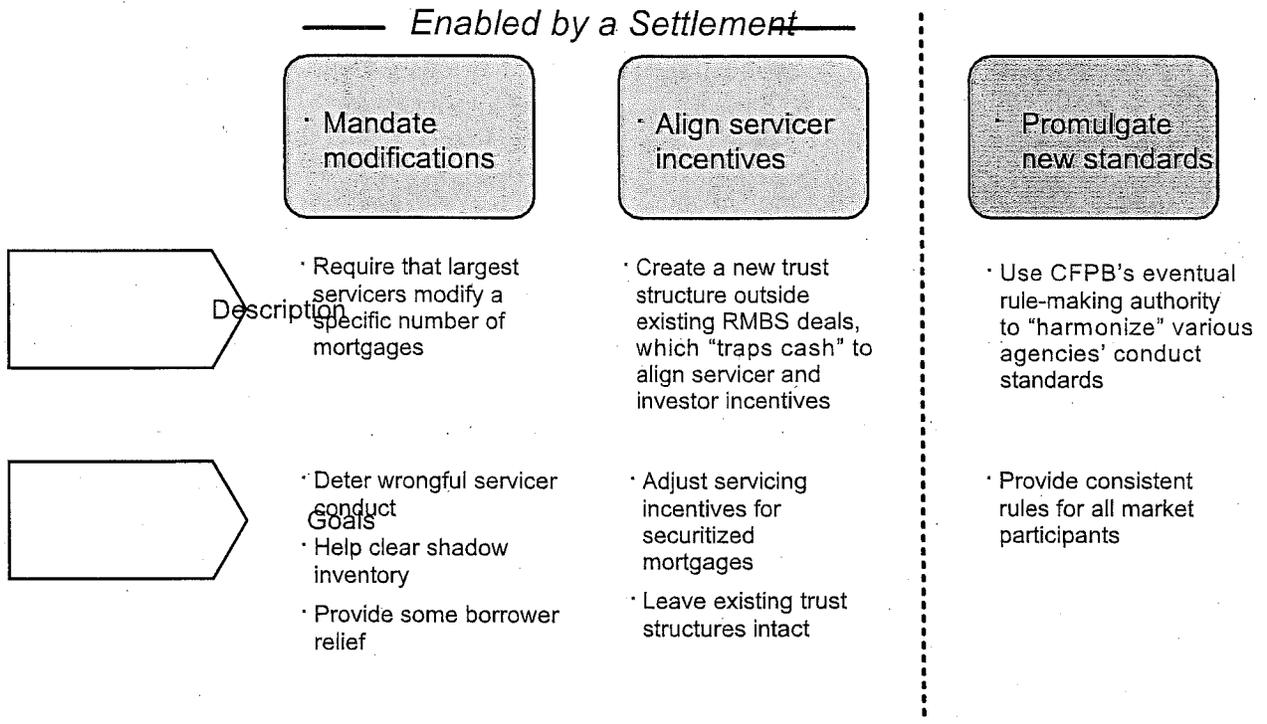
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February 13, 2011

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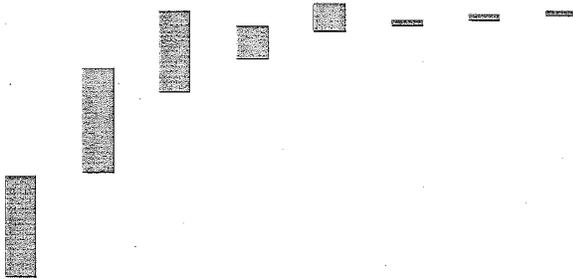
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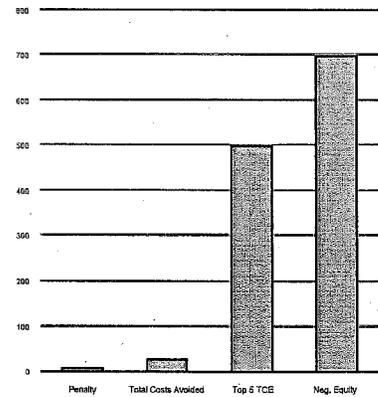
Estimated Servicing Costs Avoided, 2007-3Q10 \$ Billions (Source: CFPB)

Assumption:

- Effective special servicing of delinquent loans would have cost 75 bps/yr more than the actual costs incurred



Notional \$5 Billion in Context \$ Billions

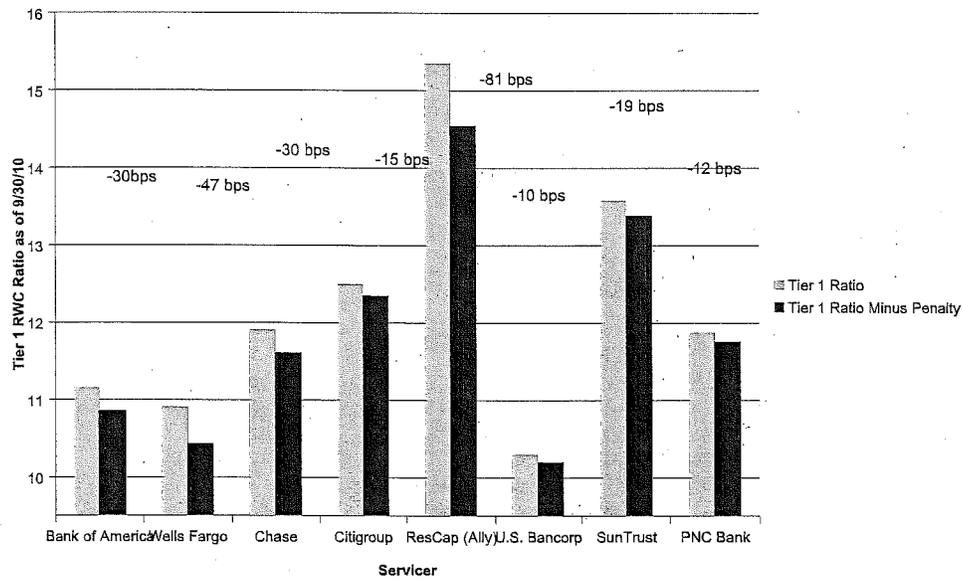


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P. 2 DRAFT—CONFIDENTIAL FOR AG MILLER

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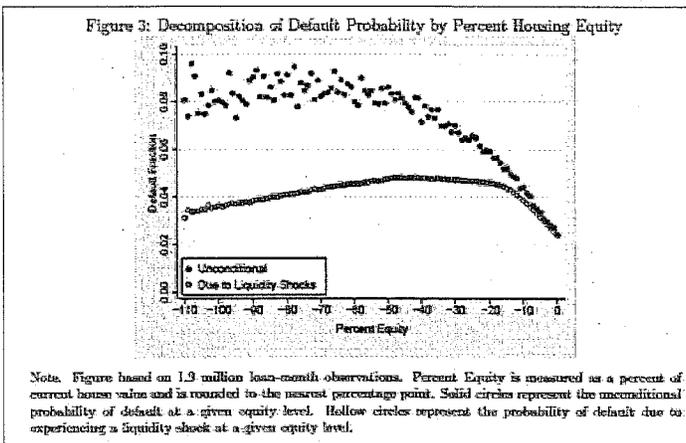
EFFECT OF PENALTY ON TIER 1 CAPITAL



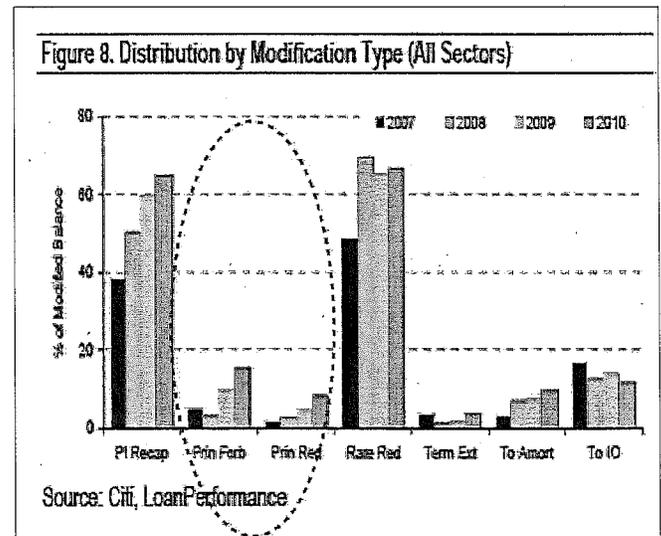
Source: CFPB

Given the magnitude of the “shadow inventory” problem, we have gravitated towards settlement solutions that enable asset liquidity and cast a wide net. In particular, we have focused on principal reduction-modifications and the short sales enabled by them. As borrowers become increasingly underwater, they are more likely to default. To date, though, principal reductions have been relatively under-utilized.

NEGATIVE EQUITY, DELINQUENCY, AND PRINCIPAL REDUCTION



Bhutta, Dokko & Shan (2009).



The scope of a settlement-driven loan modification requirement can be roughly calibrated to the likely cost to servicers from principal forgiveness. Principal reductions would (1) make payments somewhat more affordable; (2) free underwater borrowers to sell or refinance their homes; and (3) thereby help the housing market clear. Notably, some fraction of the cost of modifications (for NPV-positive modifications) might legitimately be pushed from servicers onto MBS investors.

CALIBRATING BREADTH AND DEPTH

Example

- : Require [3.0] million principal-reduction mods over six months (principal forgiven)
 - Apportion by market share
 - With or without short sale
- Simple eligibility standards
 - Residential owner-occupied
 - Current CLTV > [100%]
 - Not FHA or VA loans
- Principal must be written down to [95%] CLTV
 - Reduction in second lien mortgages held by any party to settlement
- Monitor compliance
- Make penalty for failure to execute big enough to encourage loan mods
- Servicers fund write-down (makes investors whole)
 - But investors absorb write-down when NPV positive

Cost of Aggregate Principal Reduction (Assuming servicers modify *least* underwater borrowers) \$ Billions

	Breadth: Millions of Loans Modified					
	0.5	1.0	1.5	2.0	2.5	3.0
Depth: Reduce each Loan CLTV > 100% to 95%	\$7.0	\$13.9	\$20.9	\$27.9	\$34.8	\$41.8
> 100% to 90%	\$10.6	\$21.1	\$31.7	\$42.3	\$52.9	\$63.4
> 105% to 95%	\$7.1	\$14.3	\$21.4	\$33.3	\$51.9	\$70.5
> 115% to 100%	\$13.4	\$28.1	\$51.5	\$74.9	\$103.9	\$135.2

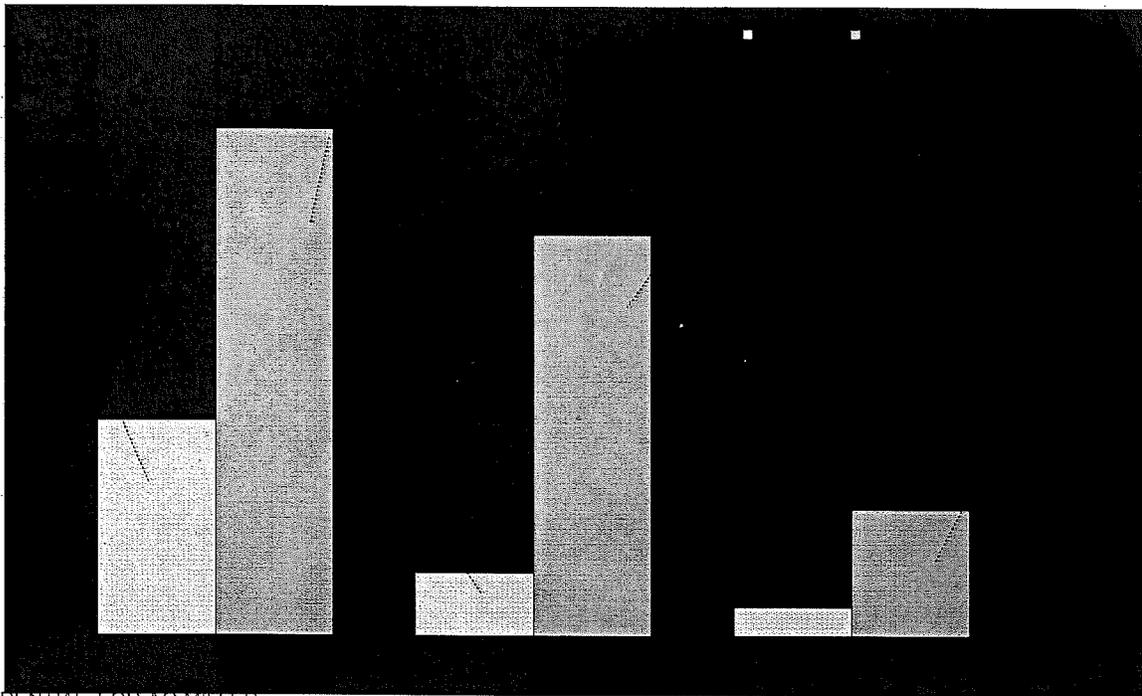
Note: Assuming servicers modify *least* underwater borrowers; excludes FHA and VA loans

Source: CFPB analysis based on FRB staff research

A principal reduction mandate could be meaningfully additive to HAMP.

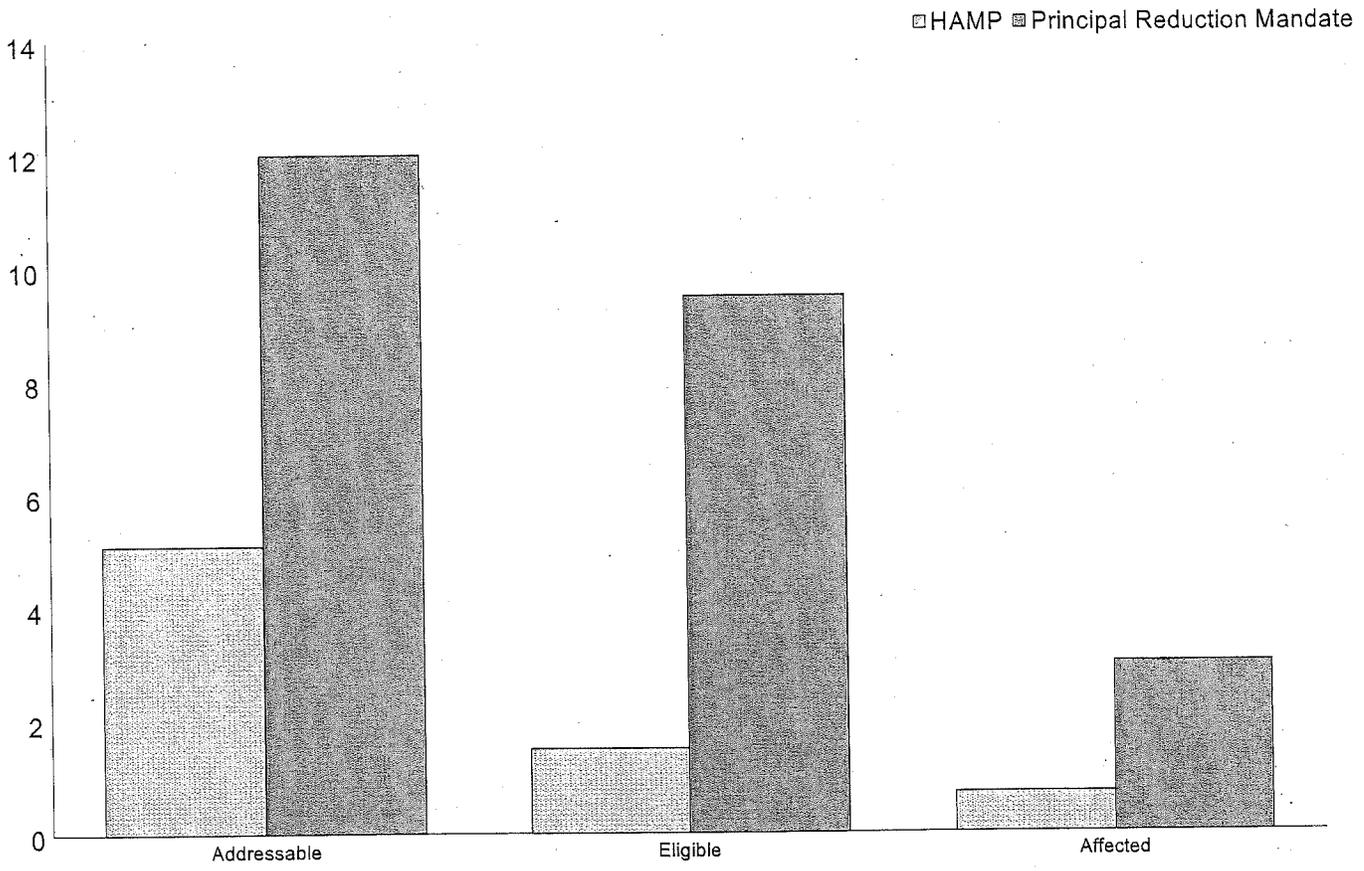
PRINCIPAL REDUCTION MANDATE (PRM) VS. HAMP

Comparison of Borrower Universe, Eligibility, and Impact
Millions



P. 6 DRAFT—CONFIDENTIAL FOR AG MILLER

	Investment Servicing	Untitled 1	
Penalty			5
Total Costs Avoided	0		24.58
Top 5 TCE	0		497
Neg. Equity	0		698



	Addressal	Eligible	Affected
HAMP	5.1	1.5	0.7
Principal I	12	9.5	3

Microsoft Outlook

From: Madigan, Patrick [AG] [Patrick.Madigan@iowa.gov]
Sent: Tuesday, February 15, 2011 11:15 AM
To: Cordray, Richard (CFPB)
Subject: RE: Attachment for Today's Call

Will do Rich, thanks.

From: Richard.Cordray@treasury.gov [mailto:Richard.Cordray@treasury.gov]
Sent: Tuesday, February 15, 2011 10:08 AM
To: Madigan, Patrick [AG]
Subject: Attachment for Today's Call

Patrick, replace prior document with this version, apparently contains some updates, for reference on today's call

Thx

Rich

Microsoft Outlook

From: Madigan, Patrick [AG] [Patrick.Madigan@iowa.gov]
Sent: Tuesday, February 15, 2011 11:36 AM
To: Cordray, Richard (CFPB)
Subject: RE: Attachment for Today's Call

Rich,

We cannot open the attachment.

From: Richard.Cordray@treasury.gov [mailto:Richard.Cordray@treasury.gov]
Sent: Tuesday, February 15, 2011 10:08 AM
To: Madigan, Patrick [AG]
Subject: Attachment for Today's Call

Patrick, replace prior document with this version, apparently contains some updates, for reference on today's call

Thx

Rich

Microsoft Outlook

From: Cordray, Richard (CFPB)
Sent: Tuesday, February 15, 2011 11:46 AM
To: 'Madigan, Patrick [AG]'
Subject: RE: Attachment for Today's Call

Me either! We'll figure it out as quickly as we can RC

-----Original Message-----

From: Madigan, Patrick [AG] [mailto:Patrick.Madigan@iowa.gov]
Sent: Tuesday, February 15, 2011 11:36 AM
To: Cordray, Richard (CFPB)
Subject: RE: Attachment for Today's Call

Rich,

We cannot open the attachment.

From: Richard.Cordray@treasury.gov [mailto:Richard.Cordray@treasury.gov]
Sent: Tuesday, February 15, 2011 10:08 AM
To: Madigan, Patrick [AG]
Subject: Attachment for Today's Call

Patrick, replace prior document with this version, apparently contains some updates, for reference on today's call

Thx

Rich

Microsoft Outlook

From: Cordray, Richard (CFPB)
Sent: Tuesday, February 15, 2011 11:49 AM
To: 'Madigan, Patrick [AG]'
Subject: RE: Attachment for Today's Call

Hold for the moment, but in case it doesn't get corrected, were you able to open the one I had sent yesterday?
RC

-----Original Message-----

From: Madigan, Patrick [AG] [mailto:Patrick.Madigan@iowa.gov]
Sent: Tuesday, February 15, 2011 11:36 AM
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Sent: Tuesday, February 15, 2011 10:08 AM
To: Madigan, Patrick [AG]
Subject: Attachment for Today's Call

Patrick, replace prior document with this version, apparently contains some updates, for reference on today's call

Thx

Rich

Microsoft Outlook

From: Madigan, Patrick [AG] [Patrick.Madigan@iowa.gov]
Sent: Tuesday, February 15, 2011 11:51 AM
To: Cordray, Richard (CFPB)
Subject: RE: Attachment for Today's Call

Yes

-----Original Message-----

From: Richard.Cordray@treasury.gov [mailto:Richard.Cordray@treasury.gov]

Sent: Tuesday, February 15, 2011 10:49 AM
To: Madigan, Patrick [AG]
Subject: RE: Attachment for Today's Call

Hold for the moment, but in case it doesn't get corrected, were you able to open the one I had sent yesterday?

RC

-----Original Message-----

From: Madigan, Patrick [AG] [mailto:Patrick.Madigan@iowa.gov]
Sent: Tuesday, February 15, 2011 11:36 AM
To: Cordray, Richard (CFPB)
Subject: RE: Attachment for Today's Call

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Patrick, replace prior document with this version, apparently contains some updates, for reference on today's call

Thx

Rich

Microsoft Outlook

From: Cordray, Richard (CFPB)
Sent: Tuesday, February 15, 2011 11:57 AM
To: 'Madigan, Patrick [AG]'
Subject: FW: settlement deck--please use this version
Attachments: servicing perspectives 021411.pdf

Let me know if this one opens
thx
Rich

CONSUMER FINANCIAL PROTECTION BUREAU

DRAFT
021411 8:05pm

Perspectives on Settlement Alternatives in Mortgage Servicing

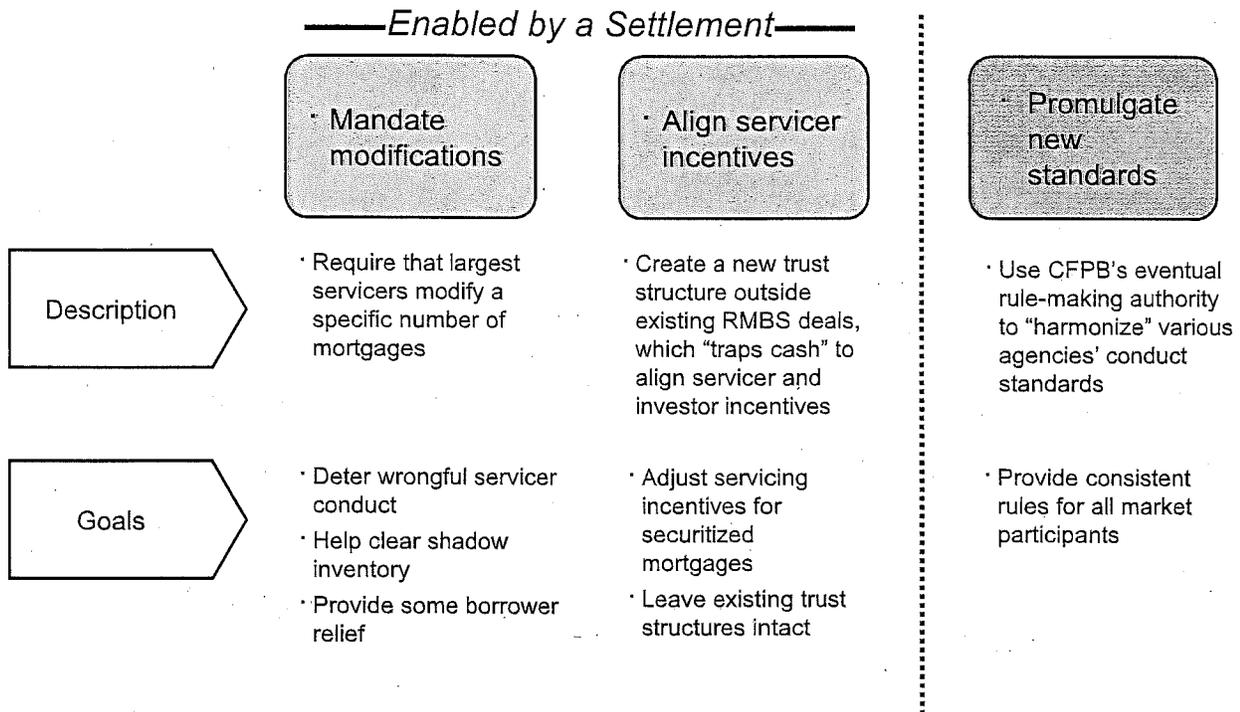
Discussion document

February 14, 2011

DRAFT—CONFIDENTIAL FOR AG MILLER

The prospect of a "global" settlement provides the potential for broad reform.

MORTGAGE SERVICING SETTLEMENT IN CONTEXT



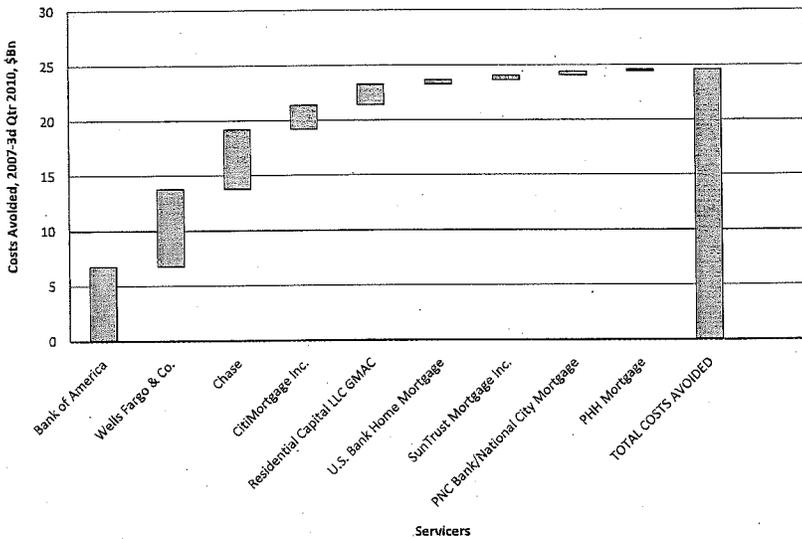
Rough estimates suggest that the largest servicers may have saved more than \$20 billion through under-investment in proper servicing during the crisis. As a result, a notional penalty of roughly \$5 billion would seem too low.

CALIBRATING THE SIZE OF POTENTIAL PENALTIES

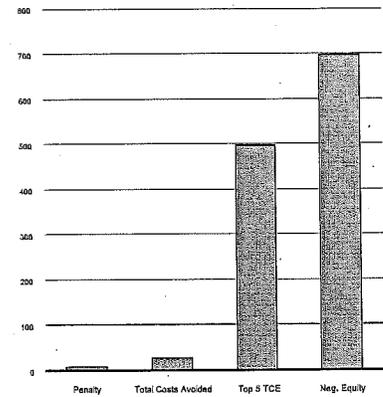
Estimated Servicing Costs Avoided, 2007-3Q10
\$ Billions (Source: CFPB)

Assumption:

- Effective special servicing of delinquent loans would have cost 75 bps/yr more than the actual costs incurred



Notional \$5 Billion in Context
\$ Billions

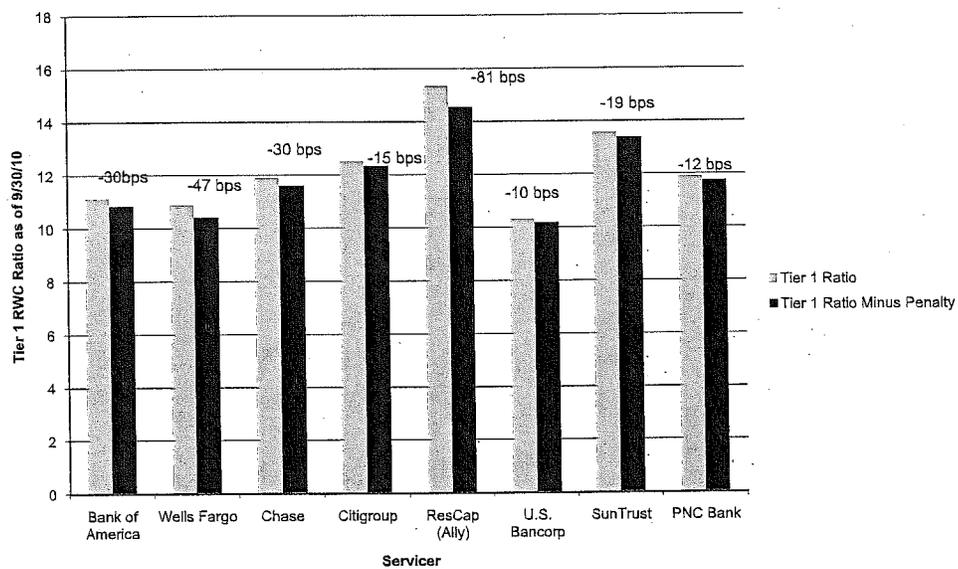


Source: CFPB

P. 2 DRAFT—CONFIDENTIAL FOR AG MILLER

A penalty based on servicing costs avoided would have little effect on Tier 1 capital ratios.

EFFECT OF PENALTY ON TIER 1 CAPITAL

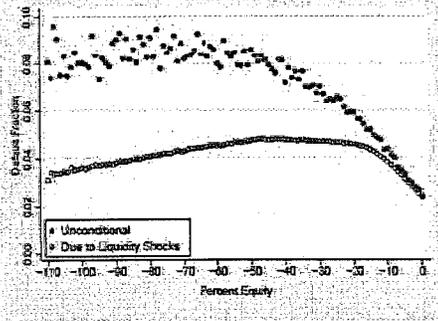


Source: CFPB

Given the magnitude of the “shadow inventory” problem, we have gravitated towards settlement solutions that enable asset liquidity and cast a wide net. In particular, we have focused on principal reduction-modifications and the short sales enabled by them. As borrowers become increasingly underwater, they are more likely to default. To date, though, principal reductions have been relatively under-utilized.

NEGATIVE EQUITY, DELINQUENCY, AND PRINCIPAL REDUCTION

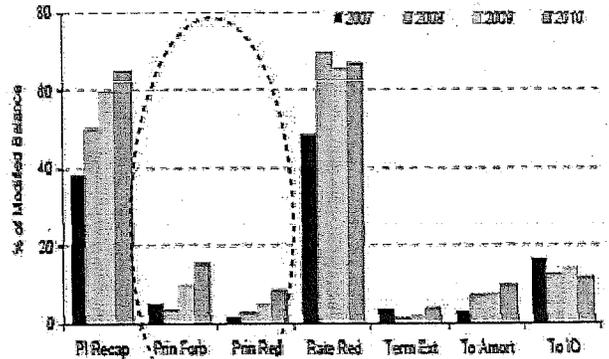
Figure 3: Decomposition of Default Probability by Percent Housing Equity



Note. Figure based on 1.9 million loan-month observations. Percent Equity is measured as a percent of current house value and is rounded to the nearest percentage point. Solid circles represent the unconditional probability of default at a given equity level. Hollow circles represent the probability of default due to experiencing a liquidity shock at a given equity level.

Bhutta, Dokko & Shan (2009).

Figure 8: Distribution by Modification Type (All Sectors)



Source: Citi, Loan Performance

The scope of a settlement-driven loan modification requirement can be roughly calibrated to the likely cost to servicers from principal forgiveness. Principal reductions would (1) make payments somewhat more affordable; (2) free underwater borrowers to sell or refinance their homes; and (3) thereby help the housing market clear. Notably, some fraction of the cost of modifications (for NPV-positive modifications) might legitimately be pushed from servicers onto MBS investors.

CALIBRATING BREADTH AND DEPTH

Example

- Require [3.0] million principal-reduction mods over six months (principal forgiven)
- Apportion by market share
- With or without short sale

- Simple eligibility standards
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- Current CLTV > [100%]
- Not FHA or VA loans

- Principal must be written down to [95%] CLTV
- Reduction in second lien mortgages held by any party to settlement

- Monitor compliance

- Make penalty for failure to execute big enough to encourage loan mods

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- But investors absorb write-down when NPV positive.

Cost of Aggregate Principal Reduction (Assuming servicers modify *least* underwater borrowers)

\$ Billions

		Breadth: Millions of Loans Modified					
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Depth: Reduce each Loan CLTV	> 100% to 95%	\$7.0	\$13.9	\$20.9	\$27.9	\$34.8	\$41.8
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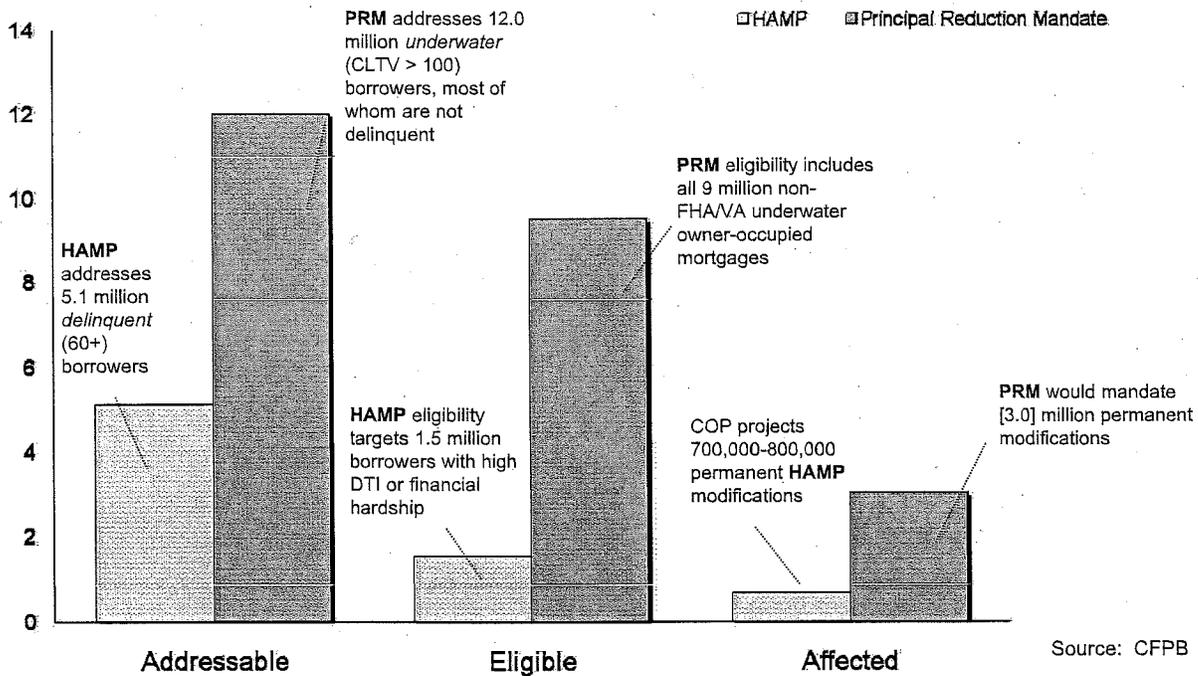
Note: Assuming servicers modify *least* underwater borrowers; excludes FHA and VA loans

Source: CFPB analysis based on FRB staff research

A principal reduction mandate could be meaningfully additive to HAMP.

PRINCIPAL REDUCTION MANDATE (PRM) VS. HAMP

Comparison of Borrower Universe, Eligibility, and Impact
Millions



Microsoft Outlook

From: Madigan, Patrick [AG] [Patrick.Madigan@iowa.gov]
Sent: Tuesday, February 15, 2011 11:58 AM
To: Cordray, Richard (CFPB)
Subject: RE: settlement deck--please use this version

It opens. Thanks

From: Richard.Cordray@treasury.gov [mailto:Richard.Cordray@treasury.gov]
Sent: Tuesday, February 15, 2011 10:57 AM
To: Madigan, Patrick [AG]
Subject: FW: settlement deck--please use this version

Let me know if this one opens

thx

Rich

Microsoft Outlook

From: Madigan, Patrick [AG] [Patrick.Madigan@iowa.gov]
Sent: Tuesday, February 15, 2011 1:53 PM
To: Cordray, Richard (CFPB)
Subject: RE: settlement deck--please use this version

Rich,

The following states will be on the call:

New York

Iowa

North Carolina

Florida

Illinois

Delaware

California

New York Banking Department

Maryland Office Financial Regulation

From: Richard.Cordray@treasury.gov [mailto:Richard.Cordray@treasury.gov]

Sent: Tuesday, February 15, 2011 10:57 AM

To: Madigan, Patrick [AG]

Subject: FW: settlement deck--please use this version

Let me know if this one opens

thx

Rich

Microsoft Outlook

From: Hauck, Brian (SMO) [Brian.Hauck@usdoj.gov]
Sent: Thursday, February 24, 2011 10:16 AM
To: 'Madigan, Patrick [AG]'; 'DHagan@atg.state.il.us'
Cc: Caldwell, Phyllis; Apsel, Sarah; 'Smith, Damon Y'; 'Bott, Vicki B'; 'Pearce, Mark'; 'Brown, Allison'; 'Gorman, Frank'; Morris, Lucy (CFPB); Elliott, Ramona D. (USTP)
Subject: 12:30 ET call

Patrick, Debbie -

When you have the dial-in for today's call, can you circulate it to this group? I'll be in meetings and may not get it to them right away.

Thanks,
Brian

Microsoft Outlook

From: Hauck, Brian (SMO) [Brian.Hauck@usdoj.gov]
Sent: Thursday, February 24, 2011 12:18 PM
To: 'Madigan, Patrick [AG]'; 'DHagan@atg.state.il.us'
Cc: Caldwell, Phyllis; Apsel, Sarah; 'Smith, Damon Y'; 'Bott, Vicki B'; 'Pearce, Mark'; 'Brown, Allison'; 'Gorman, Frank'; Morris, Lucy (CFPB); Elliott, Ramona D. (USTP); Granston, Michael (CIV)
Subject: RE: 12:30 ET call

Hi Patrick and Debbie - I don't think we've gotten a dial-in yet; just let us know once you know. Or if I've missed it, my apologies.

Thanks,
Brian

From: Hauck, Brian (SMO)
Sent: Thursday, February 24, 2011 10:16 AM
To: 'Madigan, Patrick [AG]'; 'DHagan@atg.state.il.us'
Cc: 'Phyllis.Caldwell@treasury.gov'; 'Sarah.Apsel@treasury.gov'; 'Smith, Damon Y'; 'Bott, Vicki B'; 'Pearce, Mark'; 'Brown, Allison'; 'Gorman, Frank'; 'Lucy.Morris@treasury.gov'; Elliott, Ramona D. (USTP)
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Microsoft Outlook

From: Madigan, Patrick [AG] [Patrick.Madigan@iowa.gov]
Sent: Thursday, February 24, 2011 12:35 PM
To: Hauck, Brian (SMO); DHagan@atg.state.il.us
Cc: Caldwell, Phyllis; Apsel, Sarah; Smith, Damon Y; Bott, Vicki B; Pearce, Mark; Brown, Allison; Gorman, Frank; Morris, Lucy (CFPB); Elliott, Ramona D. (USTP); Granston, Michael (CIV)
Subject: RE: 12:30 ET call
Importance: High

The dial in number is [REDACTED] and the pass code is [REDACTED].

From: Hauck, Brian (SMO) [mailto:Brian.Hauck@usdoj.gov]
Sent: Thursday, February 24, 2011 11:18 AM
To: Madigan, Patrick [AG]; 'DHagan@atg.state.il.us'
Cc: 'Phyllis.Caldwell@treasury.gov'; 'Sarah.Apsel@treasury.gov'; 'Smith, Damon Y'; 'Bott, Vicki B'; 'Pearce, Mark'; 'Brown, Allison'; 'Gorman, Frank'; 'Lucy.Morris@treasury.gov'; Elliott, Ramona D. (USTP); Granston, Michael (CIV)
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Subject: 12:30 ET call

Patrick, Debbie -

When you have the dial-in for today's call, can you circulate it to this group? I'll be in meetings and may not get it to them right away.

Thanks,

Brian

Microsoft Outlook

From: Hagan, Deborah [DHagan@atg.state.il.us]
Sent: Thursday, February 24, 2011 3:25 PM
To: Morris, Lucy (CFPB)
Subject: Robosigning

Lucy:

We attended Elizabeth Warren's event last night in Chicago and she visited the office here in Chicago this morning. She visited with Lisa Madigan and I about robosigning and we all thought it might be good to hear the presentation on the loan mod plan again. Lisa called Tom Miller about it. Not sure that he wanted to do that but I think he has agreed. AG Madigan wanted me to reach out to someone in your shop to let you know that we might need another presentation. The way that Elizabeth explained the plan made it sound more feasible.

Deborah Hagan
Chief, Consumer Protection Division


Microsoft Outlook

From: Morris, Lucy (CFPB)
Sent: Thursday, February 24, 2011 5:00 PM
To: Hagan, Deborah
Subject: RE: Robosigning

Got it, will get back to you. Thanks.

-----Original Message-----

From: Hagan, Deborah [mailto:DHagan@atg.state.il.us]
Sent: Thursday, February 24, 2011 3:25 PM
To: Morris, Lucy (CFPB)
Subject: Robosigning

Lucy:

We attended Elizabeth Warren's event last night in Chicago and she visited the office here in Chicago this morning. She visited with Lisa Madigan and I about robosigning and we all thought it might be good to hear the presentation on the loan mod plan again. Lisa called Tom Miller about it. Not sure that he wanted to do that but I think he has agreed. AG Madigan wanted me to reach out to someone in your shop to let you know that we might need another presentation. The way that Elizabeth explained the plan made it sound more feasible.

Deborah Hagan
Chief, Consumer Protection Division



Microsoft Outlook

From: Kole, James [jkole@atg.state.il.us]
Sent: Thursday, February 24, 2011 5:02 PM
To: Smullin, Rebecca (CFPB); Reilly, Deb (CFPB); Cordray, Richard (CFPB)
Subject: FW: Photos

Attachments: 110224ewarren005.jpg



110224ewarren005.
jpg (580 KB)

Greetings,

Elizabeth Warren has our entire consumer fraud bureau smitten with her, her intelligence and her passion and dedication to getting things right for consumers. She really gave a fantastic lecture yesterday, was incredibly gracious and articulate in responding to Jonathan Alter's questions, and then even took time out this morning to pose with us and, get this, thank our humble office for what we try to do. She is really an inspiration to us all.

I'm very glad she and you all are continuing to fight for consumers. And as always, let us know how we can help. All bests, Jim Kole

James D. Kole
Chief, Chicago Consumer Fraud Bureau
Illinois Attorney General Lisa Madigan's Office 100 W. Randolph St., Chicago, IL 60601
[REDACTED]

E-MAIL CONFIDENTIALITY NOTICE: This electronic mail message, including any attachments, is for the intended recipient(s) only. This e-mail and any attachments might contain information that is confidential, legally privileged or otherwise protected or exempt from disclosure under applicable law. If you are not a named recipient, or if you are named but believe that you received this e-mail in error, please notify the sender immediately by telephone or return e-mail and promptly delete this e-mail and any attachments and copies thereof from your system. If you are not the intended recipient, please be aware that any copying, distribution, dissemination, disclosure or other use of this e-mail and any attachments is unauthorized and prohibited. Your receipt of this message is not intended to waive any applicable privilege or claim of confidentiality, and any prohibited or unauthorized disclosure is not binding on the sender or the Office of the Illinois Attorney General. Thank you for your cooperation.

From: Poulimas, Sarah
Sent: Thursday, February 24, 2011 2:20 PM
To: Hagan, Deborah; Kole, James; James, Thomas P.
Cc: Wrone, Steve
Subject: FW: Photos

In case you want to show to the Springfield crew...or anyone else...

Steve and I will distribute the hard copies....

Sarah Alipourian Poulimas
Illinois Assistant Attorney General
Consumer Fraud Bureau
[REDACTED]

(fax)

E-MAIL CONFIDENTIALITY NOTICE: This electronic mail message, including any attachments, is for the intended recipient(s) only. This e-mail and any attachments might contain information that is confidential, legally privileged or otherwise protected or exempt from disclosure under applicable law. If you are not a named recipient, or if you are named but believe that you received this e-mail in error, please notify the sender immediately by telephone or return e-mail and promptly delete this e-mail and any attachments and copies thereof from your system. If you are not the intended recipient, please be aware that any copying, distribution, dissemination, disclosure or other use of this e-mail and any attachments is unauthorized and prohibited. Your receipt of this message is not intended to waive any applicable privilege or claim of confidentiality, and any prohibited or unauthorized disclosure is not binding on the sender or the Office of the Illinois Attorney General. Thank you for your cooperation.

From: Ryan, Patrick
Sent: Thursday, February 24, 2011 2:18 PM
To: Wrone, Steve
Cc: Poulimas, Sarah
Subject: RE: Photos

Here's the chosen image. I'm making enough 4x6 for everyone, +1. Should all be ready shortly. I'll bring them up when they're done.

E-MAIL CONFIDENTIALITY NOTICE: This electronic mail message, including any attachments, is for the intended recipient(s) only. This e-mail and any attachments might contain information that is confidential, legally privileged or otherwise protected or exempt from disclosure under applicable law. If you are not a named recipient, or if you are named but believe that you received this e-mail in error, please notify the sender immediately by telephone or return e-mail and promptly delete this e-mail and any attachments and copies thereof from your system. If you are not the intended recipient, please be aware that any copying, distribution, dissemination, disclosure or other use of this e-mail and any attachments is unauthorized and prohibited. Your receipt of this message is not intended to waive any applicable privilege or claim of confidentiality, and any prohibited or unauthorized disclosure is not binding on the sender or the Office of the Illinois Attorney General. Thank you for your cooperation.

From: Wrone, Steve
Sent: Thursday, February 24, 2011 11:11 AM
To: Ryan, Patrick
Cc: Poulimas, Sarah
Subject: Photos

Hey, Patrick:

Debby has tasked Sarah and me with getting our hands on prints of today's photo. If you make enough prints for everyone in the photo + 1 for Consumer bulletin board, we'll distribute them to the appropriate folks.

Also, would it be possible to have an electronic version of the pic?

Thank you very much, sir.

SW

E-MAIL CONFIDENTIALITY NOTICE: This electronic mail message, including any attachments, is for the intended recipient(s) only. This e-mail and any attachments might contain information that is confidential, legally privileged or otherwise protected or exempt from disclosure under applicable law. If you are not a named recipient, or if you are named but believe that you received this e-mail in error, please notify the sender immediately by telephone or return e-mail and promptly delete this e-mail and any attachments and copies thereof from your system. If you are not the intended recipient, please be aware that any copying, distribution, dissemination, disclosure or other use of this e-mail and any attachments is unauthorized and prohibited. Your receipt of this message is not intended to waive any applicable privilege or claim of confidentiality, and any prohibited or unauthorized disclosure is not binding on the sender or the Office of the Illinois Attorney General. Thank you for your cooperation.



Microsoft Outlook

From: Madigan, Patrick [AG] [Patrick.Madigan@iowa.gov]
Sent: Thursday, February 24, 2011 6:37 PM
To: Cordray, Richard (CFPB)
Subject: Loan Mod Presentation

Importance: High

Rich,

It is my understanding that Elizabeth Warren would like to make a loan mod presentation to the Executive Committee. We would like to do this.
Is there a time in the near future when we can do this?

Patrick Madigan

Assistant Attorney General

Iowa Attorney General's Office

1305 E. Walnut St.

Des Moines, IA 50319

Phone: [REDACTED]

Fax: [REDACTED]

Microsoft Outlook

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Sent: Thursday, February 24, 2011 6:57 PM
To: Hauck, Brian (SMO); DHagan@atg.state.il.us; Madigan, Patrick [AG]
Cc: Caldwell, Phyllis; Apsel, Sarah; Smith, Damon Y; Bott, Vicki B; Pearce, Mark; Brown, Allison; Gorman, Frank; Morris, Lucy (CFPB); Elliott, Ramona D. (USTP)
Subject: Friday call with states
Importance: High

All;

I am confirming that there will be a call between the States and the federal agencies tomorrow, Friday, 2/25 at Noon Eastern, 11 Central, 9 Pacific. Please use 1- [REDACTED] and PIN [REDACTED].

Thank you,

Patrick Madigan
Assistant Attorney General
Iowa Attorney General's Office
1305 E. Walnut St.
Des Moines, IA 50319
Phone: [REDACTED]
Fax: [REDACTED]

Microsoft Outlook

From: Cordray, Richard (CFPB)
Sent: Thursday, February 24, 2011 11:36 PM
To: 'Madigan, Patrick [AG]'
Subject: RE: Loan Mod Presentation

Glad to do it

Is it possible to do it tomorrow? We (including Elizabeth) could do it at 4:00 your time, or at 3:00 your time, or even perhaps earlier if that is possible

If not, we might be able to arrange to do it over the weekend

Or we could shoot for Monday

Time is feeling like it is more and more of the essence, let us know as soon as you can

You can also call me at [REDACTED]

Rich

-----Original Message-----

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Patrick Madigan

Assistant Attorney General

Iowa Attorney General's Office

1305 E. Walnut St.

Des Moines, IA 50319

Phone: [REDACTED]

Fax: [REDACTED]

Microsoft Outlook

From: Madigan, Patrick [AG] [Patrick.Madigan@iowa.gov]
Sent: Friday, February 25, 2011 12:00 PM
To: Cordray, Richard (CFPB)
Subject: RE: Loan Mod Presentation

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Sent: Thursday, February 24, 2011 10:36 PM
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Subject: RE: Loan Mod Presentation

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Sent: Friday, February 25, 2011 12:13 PM
To: 'Patrick.Madigan@iowa.gov'
Subject: Re: Loan Mod Presentation

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Phone: [REDACTED]

Fax: [REDACTED]

Microsoft Outlook

From: Cordray, Richard (CFPB)
Sent: Friday, February 25, 2011 12:23 PM
To: 'Patrick.Madigan@iowa.gov'
Subject: Re: Loan Mod Presentation

Fine just need to schedule or could still do later today

----- Original Message -----
From: Madigan, Patrick [AG] <Patrick.Madigan@iowa.gov>
To: Cordray, Richard (CFPB)
Sent: Fri Feb 25 11:59:39 2011
Subject: RE: Loan Mod Presentation

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Iowa Attorney General's Office

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Des Moines, IA 50319

Phone: [REDACTED]

Fax: [REDACTED]

Microsoft Outlook

From: McCoy, Patricia (CFPB)
Sent: Friday, February 25, 2011 3:04 PM
To: patrick.madigan@iowa.gov
Cc: Warren, Elizabeth (CFPB); Date, Rajeev (CFPB); Cordray, Richard (CFPB); Morris, Lucy (CFPB); Bernstein, Ethan (CFPB)
Subject: settlement slides
Attachments: servicing perspectives 021411.pdf

Dear Patrick,

Here, again, are the settlement slides for this afternoon's phone call. Best,

Pat McCoy

CONSUMER FINANCIAL PROTECTION BUREAU

DRAFT
021411 8:05pm

Perspectives on Settlement Alternatives in Mortgage Servicing

Discussion document

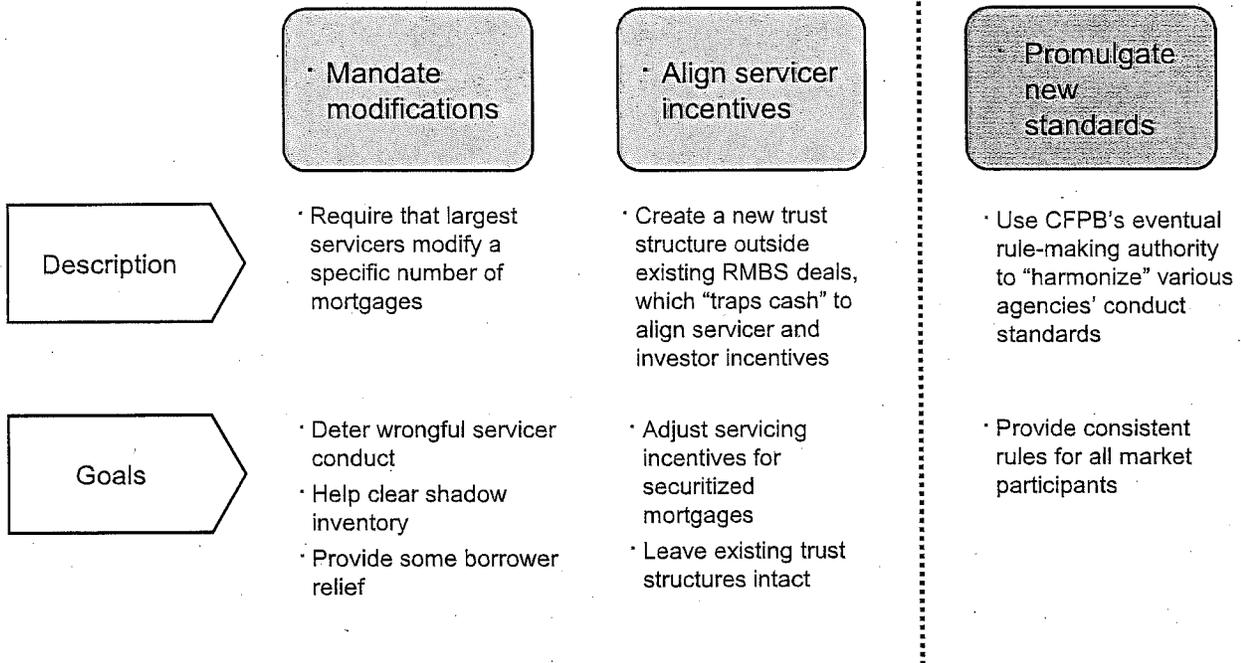
February 14, 2011

DRAFT—CONFIDENTIAL FOR AG MILLER

The prospect of a "global" settlement provides the potential for broad reform.

MORTGAGE SERVICING SETTLEMENT IN CONTEXT

—Enabled by a Settlement—



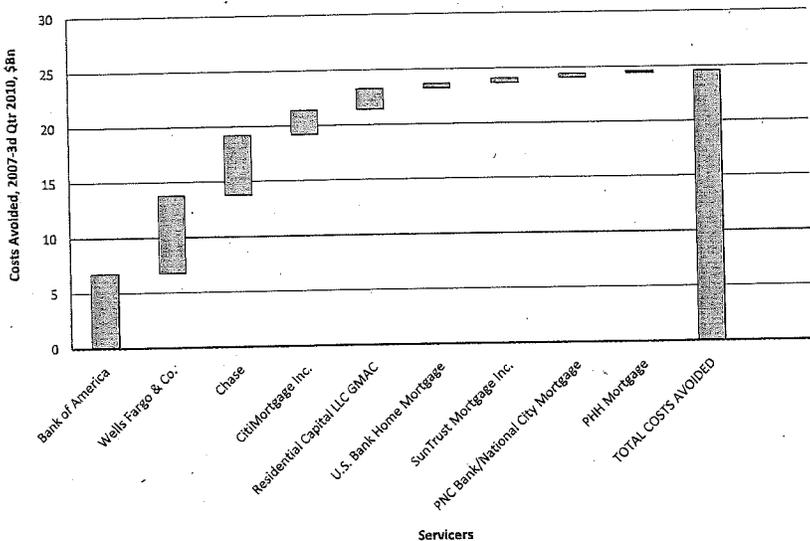
Rough estimates suggest that the largest servicers may have saved more than \$20 billion through under-investment in proper servicing during the crisis. As a result, a notional penalty of roughly \$5 billion would seem too low.

CALIBRATING THE SIZE OF POTENTIAL PENALTIES

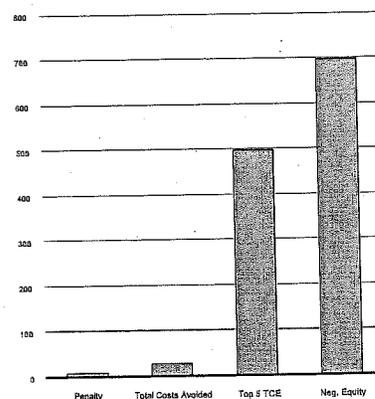
Estimated Servicing Costs Avoided, 2007-3Q10
\$ Billions (Source: CFPB)

Assumption:

- Effective special servicing of delinquent loans would have cost 75 bps/yr more than the actual costs incurred



Notional \$5 Billion in Context
\$ Billions

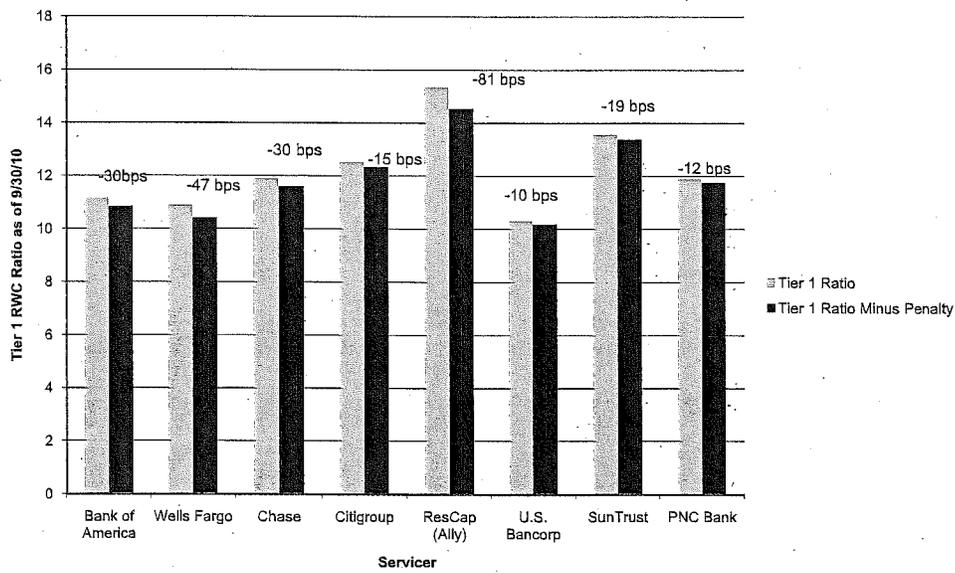


Source: CFPB

P. 2 DRAFT—CONFIDENTIAL FOR AG MILLER

A penalty based on servicing costs avoided would have little effect on Tier 1 capital ratios.

EFFECT OF PENALTY ON TIER 1 CAPITAL

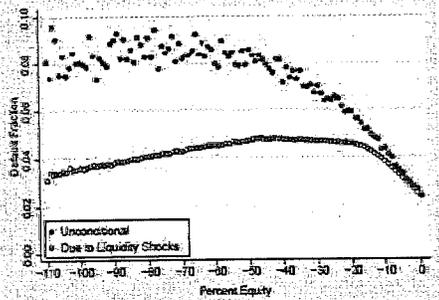


Source: CFPB

Given the magnitude of the "shadow inventory" problem, we have gravitated towards settlement solutions that enable asset liquidity and cast a wide net. In particular, we have focused on principal reduction-modifications and the short sales enabled by them. As borrowers become increasingly underwater, they are more likely to default. To date, though, principal reductions have been relatively under-utilized.

NEGATIVE EQUITY, DELINQUENCY, AND PRINCIPAL REDUCTION

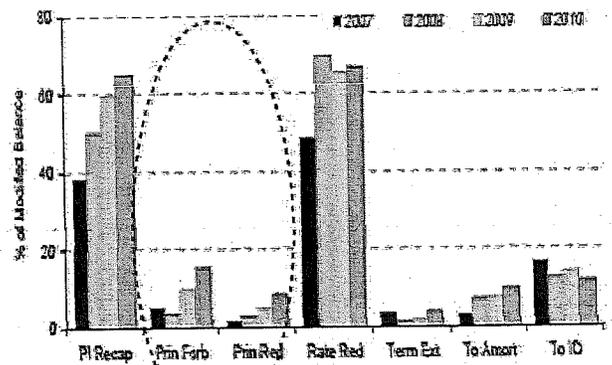
Figure 3: Decomposition of Default Probability by Percent Housing Equity



Note. Figure based on 1.9 million loan-month observations. Percent Equity is measured as a percent of current loan value and is rounded to the nearest percentage point. Solid circles represent the unconditional probability of default at a given equity level. Hollow circles represent the probability of default due to experiencing a liquidity shock at a given equity level.

Bhutta, Dokko & Shan (2009).

Figure 8. Distribution by Modification Type (All Sectors)



Source: Citi, Loan Performance

The scope of a settlement-driven loan modification requirement can be roughly calibrated to the likely cost to servicers from principal forgiveness. Principal reductions would (1) make payments somewhat more affordable; (2) free underwater borrowers to sell or refinance their homes; and (3) thereby help the housing market clear. Notably, some fraction of the cost of modifications (for NPV-positive modifications) might legitimately be pushed from servicers onto MBS investors.

CALIBRATING BREADTH AND DEPTH

Example

- Require [3.0] million principal-reduction mods over six months (principal forgiven)
- Apportion by market share
- With or without short sale

- Simple eligibility standards
- Residential owner-occupied
- Current CLTV > [100%]
- Not FHA or VA loans

- Principal must be written down to [95%] CLTV
- Reduction in second lien mortgages held by any party to settlement

- Monitor compliance

- Make penalty for failure to execute big enough to encourage loan mods

- Servicers fund write-down (makes investors whole)
- But investors absorb write-down when NPV positive.

Cost of Aggregate Principal Reduction (Assuming servicers modify *least* underwater borrowers)

\$ Billions

	Breadth: Millions of Loans Modified					
	0.5	1.0	1.5	2.0	2.5	3.0
Depth: Reduce each Loan CLTV > 100% to 95%	\$7.0	\$13.9	\$20.9	\$27.9	\$34.8	\$41.8
> 100% to 90%	\$10.6	\$21.1	\$31.7	\$42.3	\$52.9	\$63.4
> 105% to 95%	\$7.1	\$14.3	\$21.4	\$33.3	\$51.9	\$70.5
> 115% to 100%	\$13.4	\$28.1	\$51.5	\$74.9	\$103.9	\$135.2

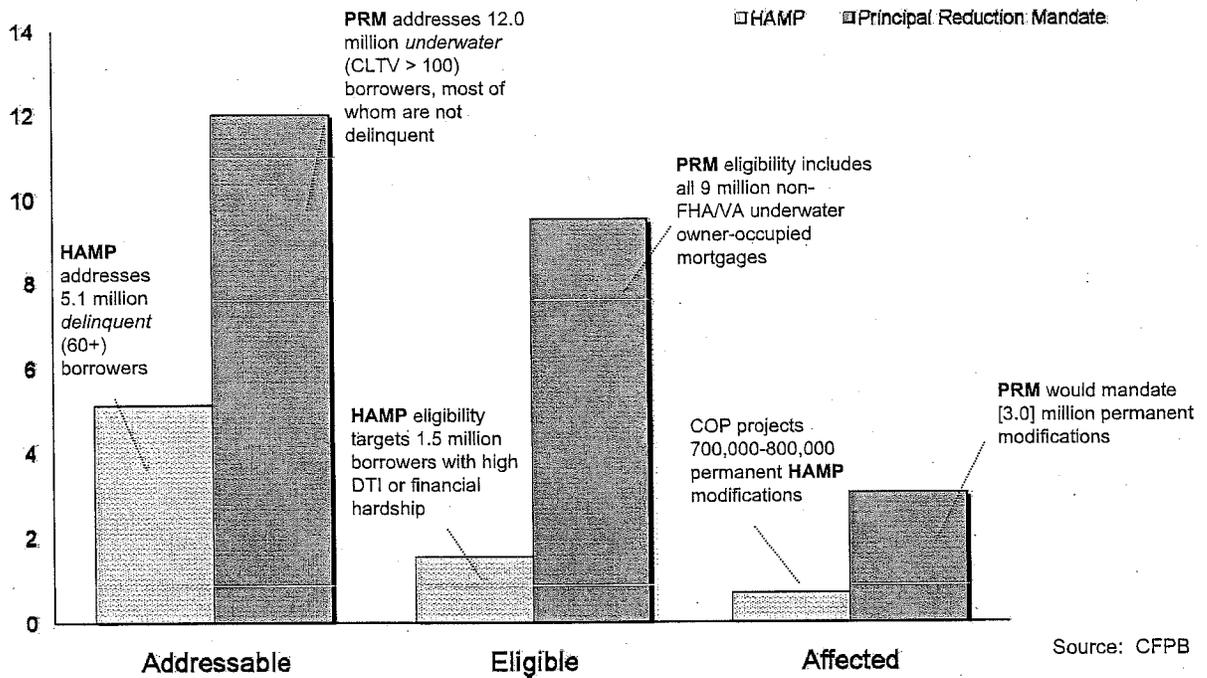
Note: Assuming servicers modify *least* underwater borrowers; excludes FHA and VA loans

Source: CFPB analysis based on FRB staff research

A principal reduction mandate could be meaningfully additive to HAMP.

PRINCIPAL REDUCTION MANDATE (PRM) VS. HAMP

Comparison of Borrower Universe, Eligibility, and Impact
Millions



Microsoft Outlook

From: Cordray, Richard (CFPB)
Sent: Friday, February 25, 2011 3:13 PM
To: 'Patrick.Madigan@iowa.gov'
Subject: Re: Loan Mod Presentation

Yes!

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From: Madigan, Patrick [AG] <Patrick.Madigan@iowa.gov>
To: Cordray, Richard (CFPB)
Sent: Fri Feb 25 15:00:12 2011
Subject: RE: Loan Mod Presentation

So are we on for 3:00 Central?

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From: Richard.Cordray@treasury.gov [mailto:Richard.Cordray@treasury.gov]

Sent: Friday, February 25, 2011 1:37 PM
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Subject: Re: Loan Mod Presentation

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Sent: Friday, February 25, 2011 3:15 PM
To: McCoy, Patricia (CFPB)
Cc: Warren, Elizabeth (CFPB); Date, Rajeev (CFPB); Cordray, Richard (CFPB); Morris, Lucy (CFPB); Bernstein, Ethan (CFPB)
Subject: RE: settlement slides

Thank you. Please use 1- [REDACTED] and PIN [REDACTED].

From: Patricia.McCoy@treasury.gov [mailto:Patricia.McCoy@treasury.gov]
Sent: Friday, February 25, 2011 2:04 PM
To: Madigan, Patrick [AG]
Cc: [REDACTED] Elizabeth Warren; Rajeev.Date@treasury.gov; Richard.Cordray@treasury.gov; Lucy.Morris@treasury.gov; Ethan.Bernstein@treasury.gov
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Best,

Pat McCoy

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To: Cordray, Richard (CFPB)
Subject: RE: Loan Mod Presentation

Just sent it.

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Phone: [REDACTED]
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Microsoft Outlook

From: Apsel, Sarah
Sent: Saturday, February 26, 2011 4:54 PM
To: Apsel, Sarah; 'Anderson, Kevin'; 'Azia, Jane'; 'Baroni, John'; 'Boggs, Elizabeth'; 'Conners, Trish'; 'Daross, James'; 'Daugherty, Laura'; 'Dethmers, Jennifer'; 'Ellis, Susan'; 'Hagan, Deb'; 'Hartzell, A'; 'Hill, Jeff'; 'James, Tom'; 'Lehman, Phil'; 'Matthews, Caroyln'; 'McCallin, Andrew'; 'Norris, Jack'; 'Palmer, Scott'; 'Peacock, Jennifer'; 'Philip Lehman'; Philip[Plehman@ncdoj.gov]; 'Richard Bischoff'; 'Ripley, A'; 'Slemp, Greg'; 'Velasco, Vivian'; 'Withee, John'; 'Zavislan, Jan'; Caldwell, Phyllis; Graves, Donet (Don); 'Hauck, Brian (SMO)'; 'Vicki.B.Bott@hud.gov'; Morris, Lucy (CFPB); Brown, Karen (OFS); 'Pearce, Mark'; Kingsley, Darius; Pulliam, Joel
Cc: Lerner, Brad; Schaffer, Laurie; Elliott, Ramona D. (USTP)
Subject: RE: Call to Discuss Term Sheet - Livelink 655 KB
Attachments: sd0909r.pdf - 634 KB



sd0909r.pdf - 634 KB (184 B)

Following up on Friday's call, attached is the HAMP guidance on short sales/DILs - also known as the Home Affordable Foreclosure Alternatives Program (HAFA).

Thanks,
Sarah

Sarah Apsel
US Department of the Treasury
[Redacted] (office)
[Redacted] (bberry)
[Redacted] (mobile)

-----Original Appointment-----

From: Apsel, Sarah
Sent: Thursday, February 17, 2011 10:31 AM
To: 'Anderson, Kevin'; Apsel, Sarah; 'Azia, Jane'; 'Baroni, John'; 'Boggs, Elizabeth'; 'Conners, Trish'; 'Daross, James'; 'Daugherty, Laura'; 'Dethmers, Jennifer'; 'Ellis, Susan'; 'Hagan, Deb'; 'Hartzell, A'; 'Hill, Jeff'; 'James, Tom'; 'Lehman, Phil'; 'Matthews, Caroyln'; 'McCallin, Andrew'; 'Norris, Jack'; 'Palmer, Scott'; 'Peacock, Jennifer'; 'Philip Lehman'; 'Richard Bischoff'; 'Ripley, A'; 'Slemp, Greg'; 'Velasco, Vivian'; 'Withee, John'; 'Zavislan, Jan'; Caldwell, Phyllis; Graves, Donet (Don); 'Hauck, Brian (SMO)'; 'Vicki.B.Bott@hud.gov'; Morris, Lucy (CFPB); Brown, Karen (OFS); 'Pearce, Mark'; Kingsley, Darius; Pulliam, Joel
Cc: Lerner, Brad; Schaffer, Laurie; Elliott, Ramona D. (USTP)
Subject: Call to Discuss Term Sheet
When: Thursday, February 17, 2011 2:30 PM-4:30 PM (GMT-05:00) Eastern Time (US & Canada).
Where: Dial-In: [Redacted]; Code: [Redacted]

* Dial-in Number: [Redacted]
* Pin access code: [Redacted]

Supplemental Directive 09-09 Revised

March 26, 2010

*Home Affordable Foreclosure Alternatives – Short Sale and
Deed-in-Lieu of Foreclosure Update*

Background

In Supplemental Directive 09-01, the Treasury Department (Treasury) announced the eligibility, underwriting and servicing requirements for the Home Affordable Modification Program (HAMP). Under HAMP, the servicers apply a uniform loan modification process to provide eligible borrowers with sustainable monthly payments for their first lien mortgage loans. While HAMP program guidelines are intended to reach a broad range of at-risk borrowers, it is expected that servicers will encounter situations where they are unable to approve a HAMP modification request, a HAMP modification is offered and not accepted by the borrower, or the borrower falls out of a HAMP modification. In these instances, the borrower may benefit from an alternative that helps the borrower transition to more affordable housing and avoid the stigma of a foreclosure.

This Supplemental Directive replaces in its entirety Supplemental Directive 09-09 and is effective as of April 5, 2010. This Supplemental Directive provides guidance to servicers for adoption and implementation of the Home Affordable Foreclosure Alternatives Program (HAFA). HAFA is part of HAMP and provides financial incentives to servicers and borrowers who utilize a short sale or a deed-in-lieu to avoid a foreclosure on an eligible loan under HAMP. Both of these foreclosure alternatives reduce the need for potentially lengthy and expensive foreclosure proceedings. The options help preserve the condition and value of the property by minimizing the time a property is vacant and subject to vandalism and deterioration. In addition, these options generally provide a substantially better outcome than a foreclosure sale for borrowers, investors and communities.

This Supplemental Directive provides guidance to servicers for adoption and implementation of HAFA for first lien mortgage loans that are not owned or guaranteed by Fannie Mae or Freddie Mac (Non-GSE Mortgages). In order for a servicer to participate in HAFA for Non-GSE Mortgages, the servicer must execute a servicer participation agreement and related documents (SPA) with Fannie Mae in its capacity as financial agent for the United States (as designated by Treasury) to participate in HAMP on or before October 3, 2010. In certain circumstances, Supplemental Directive 09-01 requires participating servicers to consider borrowers for other foreclosure prevention options, including short sale and deed-in-lieu programs. As a result, servicers already participating in HAMP must follow the guidance set forth in this Supplemental Directive, which provides servicers with the option to determine the extent to which short sales

or deeds-in-lieu will be offered under this program. Servicers of mortgage loans that are owned or guaranteed by Fannie Mae or Freddie Mac should refer to the HAFA announcement issued by the applicable GSE. A loan must be HAMP eligible and meet the other requirements stated herein to be eligible for incentive compensation under HAFA.

A servicer may elect to implement this Supplemental Directive prior to April 5, 2010, provided that the servicer is able to collect and report all required information as described in the *Reporting Requirements* section of this Supplemental Directive. Borrowers may be accepted into HAFA if a Short Sale Agreement or DIL Agreement, as described in this Supplemental Directive, is fully-executed by the borrower and received by the servicer on or before December 31, 2012.

To help servicers implement HAFA, this Supplemental Directive covers the following topics:

- Foreclosure Alternatives
- HAFA Consideration
- Evaluation
- Short Sale
- Deed-in-Lieu
- General Terms and Conditions
- Incentive Compensation
- Standard Form Documents
- Reporting Requirements
- Compliance

Foreclosure Alternatives

In a short sale, the servicer allows the borrower to list and sell the mortgaged property with the understanding that the net proceeds from the sale may be less than the total amount due on the mortgage. The short sale must be an arm's length transaction with the net sale proceeds (after deductions for reasonable and customary selling costs) being applied to a discounted ("short") mortgage payoff acceptable to the servicer. The servicer accepts the short payoff in full satisfaction of the total amount due on the first mortgage.

In a deed-in-lieu of foreclosure (DIL), the borrower voluntarily transfers ownership of the mortgaged property to the servicer in full satisfaction of the total amount due on the first mortgage. The servicer's willingness to approve and accept a DIL is contingent upon the borrower's ability to provide marketable title, free and clear of mortgages, liens and encumbrances. Generally, servicers require the borrower to make a good faith effort to sell the property through a short sale before agreeing to accept the DIL. However, under circumstances acceptable to the investor, the servicer may accept a DIL without the borrower first attempting to sell the property. With either the HAFA short sale or DIL, the servicer may not require a cash contribution or promissory note from the borrower and must forfeit the ability to pursue a deficiency judgment against the borrower.

Short sales and DILs are complex transactions involving coordination and cooperation among a number of parties including, but not limited to, servicers, appraisers, borrowers (sellers), buyers, real estate brokers and agents, title agencies, and often mortgage insurance companies and subordinate and other lien holders. The HAFA program simplifies and streamlines the use of short sales and DIL options by incorporating the following unique features:

- Complements HAMP by providing viable alternatives for borrowers who are HAMP-eligible.
- Utilizes borrower financial and hardship information collected in conjunction with HAMP, eliminating the need for additional eligibility analysis.
- Allows the borrower to receive pre-approved short sale terms prior to the property listing.
- Prohibits the servicer from requiring, as a condition of approving the short sale, a reduction in the real estate commission agreed upon in the listing agreement.
- Requires that borrowers be fully released from future liability for the debt.
- Uses standard processes, documents and timeframes.
- Provides financial incentives to borrowers, servicers and investors.

HAFA Consideration

Each participating servicer must develop a written policy, consistent with investor guidelines, that describes the basis on which the servicer will offer the HAFA program to borrowers. This policy may incorporate such factors as the severity of the loss involved, local market conditions, the timing of pending foreclosure actions and borrower motivation and cooperation.

Servicers may not solicit a borrower for HAFA until the borrower has been evaluated for a HAMP modification in accordance with the provisions of Supplemental Directive 09-01 and any supplemental HAMP guidance. Borrowers that meet the eligibility criteria for HAMP but who are not offered a Trial Period Plan, do not successfully complete a Trial Period Plan, or default on a HAMP modification should first be considered for other loan modification or retention programs offered by the servicer prior to being evaluated for HAFA.

In accordance with the provisions of Supplemental Directive 09-01, a loan meets the basic eligibility criteria if all of the following conditions are met:

- The property is the borrower's principal residence, except that the property can be vacant up to 90 days prior to the date of the Short Sale Agreement (SSA), Alternative Request for Approval of Short Sale (Alternative RASS) or DIL Agreement if the borrower provides documentation that the borrower was required to relocate at least 100 miles from the property to accept new employment or was transferred by the current employer and there is no evidence indicating that the borrower has purchased a one- to four-unit property 90 days prior to the date of the SSA, Alternative RASS or DIL Agreement;
- The mortgage loan is a first lien mortgage originated on or before January 1, 2009;
- The mortgage is delinquent or default is reasonably foreseeable;

- The current unpaid principal balance is equal to or less than \$729,750¹; and
- The borrower's total monthly mortgage payment (as defined in Supplemental Directive 09-01) exceeds 31 percent of the borrower's gross income.

Pursuant to the servicer's policy, every potentially eligible borrower must be considered for HAFA before the borrower's loan is referred to foreclosure or the servicer allows a pending foreclosure sale to be conducted. Servicers must consider possible HAMP eligible borrowers for HAFA within 30 calendar days of the date the borrower:

- Does not qualify for a Trial Period Plan;
- Does not successfully complete a Trial Period Plan;
- Is delinquent on a HAMP modification by missing at least two consecutive payments; or
- Requests a short sale or DIL.

The date and outcome of the HAFA consideration must be documented in the servicer's file.

When a borrower, who was not previously evaluated for a HAMP modification, requests a short sale or DIL, the servicer must determine the basic eligibility of the borrower as described in the *HAFA Consideration* section of this Supplemental Directive. In addition, the servicer must obtain a completed Request for Modification and Affidavit (RMA)² and evidence of the borrower's income sufficient to determine that the borrower meets the 31 percent income eligibility requirement and has experienced a hardship. The servicer is not required to obtain an IRS Form 4506-T nor 4506-EZ, unless it is necessary to verify the borrower's income; to evaluate the mortgage loan using the NPV test; or, to apply the standard modification waterfall set out in Supplemental Directive 09-01. The servicer must notify the borrower verbally or in writing of the availability of a HAMP modification and allow the borrower 14 calendar days from the date of the notification to contact the servicer by verbal or written communication and request consideration for a HAMP modification. If the borrower does not wish to be considered for a modification, this does not trigger a non-approval notice under Supplemental Directive 09-08, *Borrower Notices*.

Borrowers in active Chapter 7 or Chapter 13 bankruptcy cases must be considered for HAFA if the borrower,³ borrower's counsel or bankruptcy trustee submits a request to the servicer. With the borrower's permission, a bankruptcy trustee may contact the servicer to request a short sale or DIL under HAFA. Servicers are not required to solicit these borrowers proactively for HAFA. The servicer and its counsel must work with the borrower or borrower's counsel to obtain any court and/or trustee approvals required in accordance with local court rules and

¹ This amount refers to 1 unit properties. Higher amounts apply to 2 to 4 unit dwellings. See Supplemental Directive 09-01.

² Servicers may elect to use a proprietary financial information form substantially similar to the RMA and a hardship affidavit in lieu of the RMA.

³ Where the borrower filed the bankruptcy pro se, (without an attorney), it is recommended that the servicer provide information relating to the availability of a HAMP modification and foreclosure alternatives to the borrower with a copy to the bankruptcy trustee. This communication should not imply that it is in any way an attempt to collect a debt. Servicers must consult their legal counsel for appropriate language.

procedures. Servicers should extend HAFA timeframes as necessary to accommodate delays in obtaining court approvals or receiving any periodic payment when they are made to a trustee.

Evaluation

If the servicer determines that a borrower is eligible for a HAFA offer based on its written policy and this Supplemental Directive, the servicer must follow the steps below to determine if a short sale or DIL offer will be extended to the borrower.

Borrower Solicitation and Response. If the servicer has not already discussed a short sale or DIL with the borrower, the servicer must proactively notify the borrower in writing of the availability of these options and allow the borrower 14 calendar days from the date of the notification to contact the servicer by verbal or written communication and request consideration under HAFA. If the borrower fails to contact the servicer within the timeframe or at any time indicates that he or she is not interested in these options, the servicer has no further obligation to extend a HAFA offer.

Expected Recovery through Foreclosure and Disposition. Though not a HAFA requirement, it is expected that servicers will, in accordance with investor guidelines, perform a financial analysis to determine if a short sale or DIL is in the best interest of the investor, guarantor and/or mortgage insurer. The results of any analysis must be retained in the servicing file. The HAMP base NPV model does not project investor cash flows from either a short sale or DIL and should be used only to determine borrower eligibility for a HAMP modification.

Use of Borrower Financial Information. Verified borrower financial information obtained in conjunction with HAMP may be relied upon to determine a borrower's eligibility for HAFA. If financial and hardship information is documented and verified, no additional financial or hardship assessment is required by HAFA. However, in accordance with investor guidelines, the servicer may request updated financial information to evaluate the borrower. If a borrower was evaluated for HAMP based on verbal financial data, the servicer may send the borrower a Short Sale Agreement (SSA) and must require the borrower to deliver the financial information required under HAMP when the borrower returns the executed SSA. The servicer must verify a borrower's financial information through documentation and obtain a signed Hardship Affidavit prior to approving a short sale or accepting a DIL under HAFA.

Property Valuation. The servicer must, independent of the borrower and any other parties to the transaction, assess the current value of the property in accordance with the investor's guidelines. The servicer may not require the borrower to pay in advance for the valuation, but may add the cost to the outstanding debt in accordance with the borrower's mortgage documents and applicable law in the event the short sale or DIL is not completed.

Review of Title. The servicer must review readily available information provided by the borrower, the borrower's credit report, the loan file or other sources to identify subordinate liens and other claims on title to determine if the borrower will be able to deliver clear, marketable title to a prospective purchaser or the investor. Although not required by HAFA, the servicer may order a title search or preliminary title report. The servicer may not charge the borrower in

advance for any cost incurred in the title review, but may add the cost to the outstanding debt in accordance with the borrower's mortgage documents and applicable law in the event the short sale or DIL is not completed.

Borrower Notice. When a HAFA short sale or DIL is not available, the servicer must communicate this decision in writing to any borrower that requested consideration. The notice must explain why a short sale or DIL under HAFA cannot be offered, provide a toll free telephone number that the customer may call to discuss the decision and otherwise comply with the notice requirements of Supplemental Directive 09-08, *Borrower Notices*.

Short Sale

The HAFA short sale process employs standard form documents and defined performance timeframes to facilitate clear communication between the parties to the listing and sale transaction. Servicers must adhere to the following guidelines in connection with the issuance of an SSA.

Minimum Acceptable Net Proceeds. Prior to approving a borrower to participate in a HAFA short sale, the servicer must determine the minimum acceptable net proceeds (minimum net) that the investor will accept from the transaction. Each servicer must develop a written policy, consistent with investor guidelines, that describes the basis on which the minimum net will be determined. However, the minimum net proceeds must be at least equal to or less than the list price minus the sum of allowable costs that may be deducted from gross sale proceeds (or the acceptable sale proceeds). This policy may incorporate such factors as local market conditions, customary transactional costs of such sales, and the amounts that may be required to release any subordinate liens on the property. A servicer's policy for determining the minimum net must be consistently applied for all loans serviced for that investor. The minimum net may be expressed as a fixed dollar amount, as a percentage of the current market value of the property, or as a percentage of the list price as approved by the servicer. Once determined, the servicer must document the minimum net in the servicing file for each property subject to HAFA. After signing an SSA, the servicer may not increase the minimum net requirement until the initial SSA termination date is reached (not less than 120 calendar days). Subsequent changes to the minimum net when the SSA is extended must be documented.

Allowable Transaction Costs. In determining the minimum net, the servicer must consider reasonable and customary real estate transaction costs for the community in which the property is located and determine which of these costs the servicer or investor is willing to pay from sale proceeds. The servicer must describe the costs that may be deducted from the gross sale proceeds in the SSA.

Short Sale Agreement. The HAFA SSA, which is attached as Exhibit A, outlines the roles and responsibilities of the servicer and borrower in the short sale listing process and provides key marketing terms, such as a list price or acceptable sale proceeds and the duration of the SSA. The HAFA Request for Approval of a Short Sale (RASS), which must accompany the SSA, is attached as Exhibit A1. The RASS is submitted to the servicer when an offer is received to provide the terms and conditions of the short sale and together with the sales contract, provides

settlement instructions to the settlement agent. Either proactively, or at the request of an eligible borrower, the servicer will prepare and send an SSA to the borrower after determining that the proposed sale is in the best interest of the investor. A borrower may not participate in a HAMP Trial Period Plan and agree to a HAFA SSA simultaneously. The servicer will also provide the borrower a RASS, pre-populated with contact information for the servicer, the property address and the loan number.

In the event that a borrower has an executed sales contract and requests the servicer to approve a short sale under HAFA before an SSA has been executed, the servicer must evaluate the borrower for HAFA as described in the Alternative Request for Approval of a Short Sale (Alternative RASS) section.

While servicers may amend the terms of the SSA in accordance with investor requirements, applicable laws or local real estate practice, at a minimum the SSA must include the following:

- A fixed termination date not less than 120 calendar days from the effective date of the SSA ("Effective Date"). The Effective Date must be stated in the SSA and is the date the SSA is mailed to the borrower. The term of the SSA may be extended at the discretion of the servicer up to a total term of 12 months if agreed to by the borrower, in accordance with the requirements of the investor.
- A requirement that the property be listed with a licensed real estate professional who is regularly doing business in the community where the property is located.
- Either a list price approved by the servicer or the acceptable sale proceeds, expressed as a net amount after subtracting allowable costs that the servicer will accept from the transaction.
- The amount of closing costs or other expenses the servicer will permit to be deducted from the gross sale proceeds expressed as a dollar amount, a percentage of the list price or a list by category of reasonable closing costs and other expenses that the servicer will permit to be deducted from the gross sale proceeds.
- The amount of the real estate commission that may be paid, not to exceed 6% of the contract sales price, and when applicable, notification that the servicer retained a contractor to assist the listing broker with the transaction along with the payment amount (expressed as a fixed dollar amount or percentage of the contract sales price) if paid from sale proceeds.
- A statement by the borrower authorizing the servicer to communicate the borrower's personal financial information to other parties (including Treasury and its agents) as necessary to complete the transaction.
- Cancellation and contingency clauses that must be included in listing and sale agreements notifying prospective purchasers that the sale is subject to approval by the servicer and/or third parties.
- Notice that the sale must represent an arm's length transaction and that the purchaser may not sell the property within 90 calendar days of closing, including certification language regarding the arm's length transaction that must be included in the sales contract.
- An agreement that upon successful closing of a short sale acceptable to the servicer, the borrower will be released from all liability for repayment of the first mortgage debt.

- An agreement that upon successful closing of a short sale acceptable to the servicer the borrower will be entitled to a relocation incentive of \$3,000, which will be deducted from the gross sale proceeds at closing.
- Notice that the servicer will allow a portion of gross sale proceeds to be paid to subordinate lien holders in exchange for release and full satisfaction of their liens.
- Notice that a short sale may have income tax consequences and/or may have a derogatory impact on the borrower's credit score and a recommendation that the borrower seek professional advice regarding these matters.
- The amount of the monthly mortgage payment, if any, that the borrower will be required to pay during the term of the SSA, which amount must not exceed 31% of the borrower's gross monthly income.
- An agreement that so long as the borrower performs in accordance with the terms of the SSA, the servicer will not complete a foreclosure sale.
- Terms under which the SSA can be terminated.

Borrower Obligations. The borrower must sign and return the SSA within 14 calendar days from its Effective Date along with a copy of the real estate broker listing agreement and information regarding any subordinate liens. In returning and signing the SSA the borrower agrees to:

- Provide all information and sign documents required to verify program eligibility.
- Cooperate with the listing broker to actively market the property and respond to servicer inquiries.
- Maintain the interior and exterior of the property in a manner that facilitates marketability.
- Work to clear any liens or other impediments to title that would prevent conveyance.
- Make the monthly payment stipulated in the SSA, if applicable.

Monitoring Marketing Activity / Cause for Termination. During the term of the SSA, the servicer may terminate the SSA before its expiration due to any of the following events:

- The borrower's financial situation improves significantly, the borrower qualifies for a modification, or the borrower brings the account current or pays the mortgage in full.
- The borrower or the listing broker fails to act in good faith in listing, marketing and/or closing the sale, or otherwise fails to abide by the terms of the SSA.
- A significant change occurs to the property condition and/or value.
- There is evidence of fraud or misrepresentation.
- The borrower files for bankruptcy and the Bankruptcy Court declines to approve the SSA.
- Litigation is initiated or threatened that could affect title to the property or interfere with a valid conveyance.
- The borrower fails to make the monthly payment stipulated in the SSA, if applicable.

Request for Approval of Short Sale. Within three business days following receipt of an executed purchase offer, the borrower or the listing broker should deliver to the servicer a

completed RASS describing the terms of the sale transaction. With the RASS, the borrower must submit to the servicer:

- A copy of the executed sales contract and all addenda.
- Buyer's documentation of funds or buyer's pre-approval or commitment letter on letterhead from a lender.
- All information regarding the status of subordinate liens and/or negotiations with subordinate lien holders.

Approval or Disapproval of Sale. Within ten business days of receipt of the RASS and all required attachments, the servicer must indicate its approval or disapproval of the proposed sale by signing the appropriate section of the RASS and mailing it to the borrower.

The servicer must approve a RASS if the net sale proceeds available for payment to the servicer equal or exceed the minimum net determined by the servicer prior to the execution or extension of the SSA and all other sales terms and conditions in the SSA have been met. Additionally, the servicer may not require, as a condition of approving a short sale, a reduction in the real estate commission below the commission stated in the SSA.

The servicer may require that the sale closing take place within a reasonable period following acceptance of the RASS, but in no event may the servicer require that a transaction close in less than 45 calendar days from the date of the sales contract without the consent of the borrower.

Alternative Request for Approval of Short Sale. If the borrower has an executed sales contract and requests the servicer to approve a short sale under HAFA before an SSA has been executed, then the borrower must submit the request to the servicer in the form of the Alternative Request for Approval of Short Sale (Alternative RASS), attached as Exhibit B. Upon receipt of the Alternative RASS, the servicer must determine the basic eligibility of the borrower as described in the *HAFA Consideration* section of this Supplemental Directive. If the borrower appears to be eligible and was not previously considered for a Trial Period Plan, the servicer must notify the borrower verbally or in writing of the availability of a HAMP modification and allow the borrower 14 calendar days from the date of the notification to contact the servicer by verbal or written communication and request consideration for a HAMP modification.

If the borrower does not wish to be considered for a modification, this does not trigger a non-approval notice under Supplemental Directive 09-08, *Borrower Notices* and the servicer may consider the Alternative RASS in accordance with this Supplemental Directive without first having to enter into a SSA with the borrower. In such cases, the servicer should obtain a completed RMA⁴ and evidence of income prior to completing the short sale. The IRS Form 4506-T or 4506-EZ is not required, unless it is necessary to verify the borrower's income and the servicer is not required to evaluate the mortgage loan using the NPV test or to apply the standard modification waterfall set out in Supplemental Directive 09-01. If the servicer approves the short sale using the Alternative RASS, the loan will qualify for HAFA program incentives.

⁴ Servicers may elect to use a proprietary financial information form substantially similar to the RMA and a hardship affidavit in lieu of the RMA.

Deed-in-Lieu

In accordance with investor requirements, servicers have the discretion to accept a HAFA DIL, which requires a full release of the debt and waiver of all claims against the borrower. The borrower must agree to vacate the property by a date certain, leave the property in broom clean condition and deliver clear, marketable title.

Typically, servicers require that the borrower make a good faith effort to list and market the property before the servicer will agree to accept a DIL. Under circumstances acceptable to the investor, servicers may agree to accept a DIL without requiring a marketing period. In either circumstance, the transaction will be eligible for incentives as described in the *Incentive Compensation* section of this Supplemental Directive if the borrower meets the HAFA eligibility criteria.

SSA. The SSA contains optional DIL language that may be included or deleted by the servicer prior to execution of the SSA. If the DIL language is included, the investor is obligated to accept a DIL in accordance with the terms of the SSA if the term of the SSA expires without resulting in a sale of the property. If the servicer offers the DIL option separately from the SSA or without a marketing period, the servicer must provide the Deed-in-Lieu Agreement form ("DIL Agreement"), attached as Exhibit C.

DIL Terms. The following terms apply to a HAFA DIL:

- **Marketable Title.** The borrower must be able to convey clear, marketable title to the servicer or investor. The requirements for extinguishment of subordinate liens as described in the *Release of Subordinate Liens* section of this Supplemental Directive apply to DIL transactions.
- **Written Agreement.** The conditions for acceptance of a DIL must be in writing and signed by both the servicer and borrower. They may be set forth in the SSA if approved with the short sale, or in the DIL Agreement.
- **Vacancy Date.** The SSA or DIL Agreement must specify the date by which the borrower must vacate the property, which in no event shall be less than 30 calendar days from the date of the termination date of the SSA or the date of a separate DIL Agreement, unless the borrower voluntarily agrees to an earlier date.
- **Relocation Assistance.** Borrowers who participate in a HAFA DIL transaction are eligible for \$3,000 in relocation assistance as described in the *Incentive Compensation* section of this Supplemental Directive.

General Terms and Conditions

Suspension of Foreclosure Sales. At the servicer's discretion, the servicer may initiate foreclosure or continue with an existing foreclosure proceeding during the HAFA process, but may not complete a foreclosure sale:

- While determining the borrower's eligibility and qualification for HAFA.
- While awaiting the timely return of a fully executed SSA.

- During the term of a fully executed SSA.
- Pending transfer of property ownership based on an approved sales contract per the RASS or Alternative RASS.
- Pending transfer of property ownership via a DIL by the date specified in the SSA or DIL Agreement.

Payment Forbearance. The servicer will identify in the SSA, Alternative RASS or DIL Agreement the amount of the monthly mortgage payment, if any, that the borrower is required to make during the term of the applicable agreement and pending transfer of property ownership, as applicable. In no event may the amount of the borrower's monthly payment exceed the equivalent of 31 percent of the borrower's gross monthly income. Servicers must develop a written policy in accordance with investor requirements that identifies the circumstances under which they will require monthly payments and how that payment will be determined. Any requirement for the borrower to make monthly payments must be in accordance with applicable laws, rules and regulations.

Release of Subordinate Liens. It is the responsibility of the borrower to deliver clear marketable title to the purchaser or investor and to work with the listing broker, settlement agent and/or lien holders to clear title impediments. The servicer may, but is not required to, negotiate with subordinate lien holders on behalf of the borrower. The servicer, on behalf of the investor, will authorize the settlement agent to allow a portion of the gross sale proceeds as payment(s) to subordinate mortgage/lien holder(s) in exchange for a lien release and full release of borrower liability. Each lien holder, in order of priority, may be paid no more than six percent (6%) of the unpaid principal balance of their loan, until the \$6,000 aggregate cap is reached. Payments will be made at closing from the gross sale proceeds and must be reflected on the HUD-1 Settlement Statement. Investors are eligible for incentive reimbursement for up to one-third of the cost to extinguish subordinate liens as described in the *Incentive Compensation* section of this Supplemental Directive.

Prior to releasing any funds to subordinate mortgage/lien holder(s), the servicer through its agent must obtain written commitment from the subordinate lien holder that it will release the borrower from all claims and liability relating to the subordinate lien in exchange for receiving the agreed upon payoff amount. Although servicers have discretion to draft policies and procedures for ensuring that the commitment of subordinate lien holders is documented prior to closing and such documentation is retained in the servicing file, they would be in compliance with HFAA guidelines if they further required the closing attorney or agent to either confirm that they are in receipt of this commitment from subordinate lien holders on the HUD-1 Settlement Statement, or request that a copy of the written commitment provided by the subordinate lien holder be sent to the servicer with the HUD-1 Settlement Statement which is provided in advance of the closing.

Subordinate mortgage/lien holder(s) may not require contributions from either the real estate agent or borrower as a condition for releasing its lien and releasing the borrower from personal liability. In addition, any payments to subordinate mortgage/lien holder(s) related to the short sale or DIL must be reflected on the HUD-1 Settlement Statement, as applicable.

Release of First Mortgage Lien. The servicer should follow local or state laws or regulations to time the release of its first mortgage lien after receipt of sale proceeds from a short sale or delivery of the deed and property in a DIL transaction. If local or state law does not require release within a specified time from the date the servicer receives payment and satisfies the mortgage, the servicer must release its first mortgage lien within 30 business days. Additionally, the investor must waive all rights to seek a deficiency judgment and may not require the borrower to sign a promissory note for the deficiency.

Borrower Fees. Servicers may not charge the borrower any administrative processing fees in connection with HAFA. The servicer must pay all out-of-pocket expenses, including but not limited to notary fees, recordation fees, release fees, title costs, property valuation fees, credit report fees, or other allowable and documented expenses, but the servicer may add these costs to the outstanding debt in accordance with borrower's mortgage documents and applicable laws in the event the short sale or DIL is not completed. Servicers may require borrowers to waive reimbursement of any remaining escrow, buy down funds or prepaid items, and assign any insurance proceeds to the investor, if applicable. Those funds will not be applied to reduce the total net proceeds from the sale.

Mortgage Insurer Approval. For loans that have mortgage insurance coverage, the servicer/investor must obtain mortgage insurer approval for HAFA foreclosure alternatives. A mortgage loan does not qualify for HAFA unless the mortgage insurer waives any right to collect additional sums (cash contribution or a promissory note) from the borrower.

Incentive Compensation

Treasury will provide reimbursements and incentives as set forth below. However, no incentives will be paid to the borrower, servicer or investor if the net proceeds from a sale exceed the total amount due on the first mortgage when title is transferred. The amount of any contribution paid by a mortgage insurer or other provider of credit enhancement shall not be considered in determining whether the mortgage was paid in full and whether servicers are eligible for such incentive compensation.

Borrowers, servicers and investors will be eligible for HAFA incentives upon successful completion of the short sale or DIL if an SSA, Alternative RASS or DIL Agreement, as applicable, was executed on or before December 31, 2012. Servicers will be reimbursed by Treasury upon reporting the completed HAFA transaction as described in the *Reporting Requirements* section of this Supplemental Directive. For a short sale or DIL, incentives will be paid as follows:

Borrower Relocation Assistance. Following the successful closing of a short sale or DIL, the borrower shall be entitled to an incentive payment of \$3,000 to assist with relocation expenses. In a short sale transaction, the servicer must instruct the settlement agent to pay the borrower from sale proceeds at the same time that all other payments, including the payoff to the servicer, are disbursed by the settlement agent. The amount paid to the borrower must appear on the HUD-1 Settlement Statement.

If the servicer conducts a formal closing for a DIL transaction and the borrower has vacated the property, the borrower relocation incentive of \$3,000 must be paid at closing and reflected on the HUD-1 Settlement Statement. If at the time of closing the borrower has not vacated the property, the servicer must mail a check to the borrower within five business days of the borrower's vacancy and delivery of keys to the servicer or the servicer's agent. Similarly, if the DIL transaction is not conducted as a formal closing, the servicer must mail a check to the borrower within five business days from the later of the borrower's execution of the deed or the borrower's vacancy and delivery of keys to the servicer or servicer's agent.

Servicers will be reimbursed for the full amount of this incentive payment after the HAFA transaction is reported as described in *Reporting Requirements* section of this Supplemental Directive.

Servicer Incentive. The servicer will be paid \$1,500 to cover administrative and processing costs for a short sale or DIL completed in accordance with the requirements of HAFA and the applicable documents. Investors may elect to pay additional incentive compensation to servicers which will not affect the HAFA servicer incentive.

Investor Reimbursement for Subordinate Lien Releases. The investor will be paid a maximum of \$2,000 for allowing a portion of the short-sale proceeds to be distributed to or paid to subordinate lien holders. This reimbursement will be earned on a one-for-three matching basis. For each three dollars an investor pays to secure release of a subordinate lien, the investor will be entitled to one dollar of reimbursement up to the maximum reimbursement of \$2,000. To receive an incentive, subordinate lien holders must agree to release their liens and waive all future claims against the borrower. The servicer is not responsible for any future actions or claims against the borrower by such subordinate lien holders or creditors.

Standard Form Documents

Servicers are required to use the HAFA documents attached to this Supplemental Directive or forms that are substantially similar in content to the forms provided, except that the servicer may amend the terms of the SSA or DIL Agreement in accordance with investor requirements, applicable laws or local real estate practice and may customize the forms with servicer specific logos. This Supplemental Directive increases incentives provided in Supplemental Directive 09-09, which may impact servicers' HAFA documents, therefore, servicers may manually note changes to their existing HAFA documents until their current supply of forms are exhausted, however, use of the revised HAFA documents or forms that are substantially similar in content is required by June 1, 2010.

Document Retention. Servicers must retain all documents and information received during the process of determining borrower eligibility and qualification for HAFA.

For a period of seven years from the date of the document collection, servicers must retain detailed records of borrower solicitations or borrower-initiated inquiries regarding HAFA, the outcome of the evaluation for foreclosure alternatives under HAFA and specific justification with supporting details if foreclosure alternatives were denied. Records must also be retained to

document the reasons for termination of the SSA or expiration of HAFA transactions without a completed short sale or acceptance of a DIL.

Signatures and Electronic Documents. All HAFA documentation must be signed by an authorized representative of the servicer and reflect the actual date of signature by the servicer's representative.

Unless a borrower or co-borrower is deceased or a borrower and a co-borrower are divorced, all parties who signed the original loan documents or their duly authorized representatives must execute the HAFA documents. If a borrower and a co-borrower are divorced and the property has been transferred to one spouse in the divorce decree, the spouse who no longer has an interest in the property is not required to execute the HAFA documents. Servicers may evaluate requests on a case-by-case basis when the borrower is unable to sign due to circumstances such as mental incapacity or military deployment.

Any party to a document utilized in HAFA may, subject to applicable law and any investor requirements or restrictions, prepare, sign and send the document through electronic means provided: (a) appropriate technology is used to store an authentic record of the executed document and the technology otherwise ensures the security, confidentiality and privacy of the transaction, (b) the document is enforceable under applicable law, (c) the servicer obtains the borrower's consent to use electronic means to enter into the document, (d) the servicer ensures that the borrower is able to retain a copy of the document and provides a copy to the borrower that the borrower may download, store and print, and (e) the borrower, at any time, may elect to enter into the document through paper means or to receive a paper copy of the document.

Reporting Requirements

As a condition to receiving the incentive payments offered through HAFA, servicers are required to provide periodic HAFA loan level data to Fannie Mae, in its capacity as program administrator. The data submitted must be accurate, complete, timely, and agree with the servicer's records. Data will be reported by a servicer at key milestones in the transaction:

- **Notification** – when the SSA or DIL Agreement is signed and executed, or updated following an extension of the marketing terms;
- **Short Sale/DIL Loan Set Up** – at the transfer of property ownership (closing of a short sale or acceptance of DIL); and/or
- **Termination** – when the SSA or DIL Agreement expires or when the SSA or DIL Agreement is terminated by the servicer.

Each milestone is a separate data transmission and must be reported no later than the fourth business day of the month following the event. The required data elements are attached to this Supplemental Directive as Exhibit D. In addition, HAFA reporting requirements will be posted on the servicer web portal at www.hmpadmin.com. Note also that the reporting information required under Supplemental Directive 09-06 must be provided by the servicer for all HAFA transactions.

The HAFA reporting and payment processes are currently under development by Fannie Mae, in its capacity as program administrator. Subsequent guidance will be provided describing when the HAFA reporting and processes will be available. Servicers will not be required to report HAFA data until the reporting process is in place, but in this interim period servicers must collect and store information on all HAFA transactions so that the necessary data can be reported when the processes become available. In addition, HAFA incentives will not be paid until the payment process is available; borrowers, servicers and investors will be reimbursed for all incentives relating to HAFA transactions closed prior to the reporting and payment processes becoming available.

Credit Bureau Reporting. The servicer should continue to report a “full file” status to the major credit repositories for each loan under the HAFA program in accordance with the Fair Credit Reporting Act and the Consumer Data Industry Association’s (“CDIA’s”) Metro 2 Format credit bureau requirements. “Full file” reporting means that the servicer must describe the exact status of each mortgage it is servicing as of the last business day of each month. The Payment Rating code should be the code that properly identifies whether the account is current or past due within the activity period being reported – prior to completion of the HAFA transaction. Because CDIA’s Metro 2 format does not provide an Account Status Code allowable value for a short sale, a short sale should be identified with the reporting of Special Comment Code “AU”. The information below is consistent with “CDIA Mortgage and Home Equity Reporting Guidelines in Response to Current Financial Conditions” (May 2009).

Reporting should be as follows:

Short Sales

- Account Status Code = 13 (paid or closed/zero balance)
- Payment Rating = 0, 1, 2, 3, 4, 5, or 6
- Special Comment Code = AU (account paid in full for less than the full balance)
- Current Balance = \$0
- Amount Past Due = \$0
- Date Closed = MMDDYYYY
- Date of Last Payment = MMDDYYYY

Deed-in-Lieu

- Account Status Code = 89 (deed-in-lieu of foreclosure on a defaulted loan)
- Payment Rating = 0, 1, 2, 3, 4, 5, or 6
- Current Balance = \$0
- Amount Past Due = \$0
- Date Closed = MMDDYYYY
- Date of Last Payment = MMDDYYYY

Compliance

Servicers must comply with the HAFA short sale and DIL requirements specified in this Supplemental Directive and any subsequent policy guidance. Servicers must have adequate

staffing and resources for responding to borrower requests for participation, for receiving and processing HAFA documents in accordance with program guidelines and for ensuring that inquiries and complaints about HAFA receive fair consideration, along with timely and appropriate response and resolution.

Treasury has selected Freddie Mac to serve as its compliance agent for HAFA. In its role as compliance agent, Freddie Mac will utilize Freddie Mac employees and contractors to conduct independent compliance assessments. The scope of the assessments will include, among other things, an evaluation of documented evidence to confirm adherence (e.g., accuracy and timeliness) to HAFA requirements with respect to the following:

- Assessment of the process for evaluating and approving borrowers for a HAFA short sale or DIL.
- Adherence to the standard policies and guidelines for completing HAFA short sales and DIL and consistent application of same.
- Determining fair market value, recommended list price, approved sale proceeds and approved minimum net proceeds, as applicable.
- Guidelines for allowable payoffs to junior lien holders.
- Use of standard documents and document retention.
- Completion of borrower, servicer and investor incentive payments.

The review will also confirm the existence and evaluate the effectiveness of the servicer's quality assurance program; such evaluation will include, without limitation, the timing and size of the sample selection, the scope of the quality assurance reviews, and the reporting and remediation process.

There will be two types of compliance assessments: on-site and remote. Both on-site and remote reviews will include the following activities (among others): notification, scheduling, self-assessments, documentation submission, interviews, file reviews, and reporting.

For on-site reviews, Freddie Mac will strive to provide the servicer with (i) a 30-day advance notification of a pending review and (ii) subsequent confirmation of the dates of the review; however, Freddie Mac reserves the right to arrive at the servicer's site unannounced. Freddie Mac will request the servicer to make available documentation, including, without limitation, policies and procedures, management reports, loan files and a risk control self assessment ready for review. Moreover, Freddie Mac may request additional loan files during the review. Interviews will usually be conducted in-person.

During the review window, Freddie Mac will review loan files and other requested documentation to evaluate compliance with HAFA terms. Upon the completion of the review, Freddie Mac will conduct an exit interview with the servicer to discuss preliminary assessment results.

For remote reviews, Freddie Mac will request the servicer to send documentation, including, without limitation, policies and procedures, management reports, loan files and a risk control self assessment within 30 calendar days of the request. In addition, time will be scheduled for phone

interviews, including a results summary call after the compliance review is completed to discuss preliminary results.

The targeted time frame for publishing the servicer assessment report is 30 calendar days after the completion of the review. Treasury will receive a copy of the report five business days prior to the release of the report to the servicer. There will be an issue/resolution appeal process for servicer assessments. Servicers will be able to submit concerns or disputes to an independent quality assurance team within Freddie Mac.

A draft rating and implication methodology for the compliance assessments will be published in a subsequent Supplemental Directive and servicer feedback will be solicited prior to the finalization of the methodology.

HELP FOR AMERICA'S HOMEOWNERS.



[Name of Servicer]
[Address of Servicer]

[Name of Borrower]
[Name of Co-Borrower]
[Address of Borrower]

[Loan #]
[Servicer FAX]
[Servicer Email]

[Borrower Phone]
[Borrower Email]

[Date]

Dear [borrower and co-borrower name(s)]:

If you are looking for help selling your home and avoiding foreclosure, the federal government has introduced the **Home Affordable Foreclosure Alternatives (HAFA)** Program to help you. As your mortgage servicer, we are offering you the opportunity to participate in this program by utilizing HAFA's short sale option.

Home Affordable Foreclosure Alternatives Program – Short Sale

A "short sale" is specifically designed to help borrowers who are unable to afford their first mortgage and want to sell their home to avoid foreclosure, even if the sale price may not pay off the amount owed on their mortgage. A short sale requires a number of parties (you, the buyer, your real estate broker, and sometimes mortgage insurance companies and other lenders) to work together to make this option successful. However, it could be a good solution for your current situation.

How Does a Short Sale Work?

- **Pre-Sale**—We will start by approving a list price for your home or give you the acceptable sale proceeds (the minimum amount that we must receive after sales costs) from the sale of your home. We will also identify the sales costs (broker commissions and closing costs) that may be deducted from the final sales price. You then list your property (like any home sale) with a local real estate broker at the approved price.
- **Offer**—When you get an offer on your home, you will submit the required documentation and we will approve the sale if it is in line with what we agreed to.
- **Closing**—Once the sale closes, we will release you from all responsibilities for repaying your mortgage. Plus, you will receive \$3,000 to help pay some of your moving expenses. (The check will be paid to you by the settlement agent as part of the closing.) In the event there is any money left over from the sale after paying the entire amount you owe on the mortgage plus the approved sale costs, you will not be eligible to receive the \$3,000.

To Participate in the Short Sale Program

Please note, there is no guarantee that your home will sell under this program, and you are responsible for determining whether you want to sell your home for the price and terms described in this letter. The following pages detail your responsibilities, additional information on the short sale process and the Terms and Conditions. **Additionally, this letter constitutes an agreement between us and you ("Agreement") so please read it carefully and completely.**

If you agree to the terms of the Agreement and want to proceed with a short sale, you must complete, sign and return the Agreement back to us. If you have questions, please contact us directly between the hours of [insert hours] at [insert toll free number].

Sincerely,
[Servicer Name]

To Accept This Offer

- Please sign and return this Agreement. All owners of the property must sign this Agreement.
- Obtain your broker's signature to acknowledge this Agreement, because your broker plays an important role selling your property. The Short Sale Program sections (pages 2-4) contain important information that you and your broker will need to review and discuss.
- Include a copy of your signed listing agreement.
- Include information on other liens secured by your home (such as home equity loans, homeowner association liens, tax liens or judgments).
- *[Insert only if applicable:]* Complete and sign the Hardship Affidavit form.

We must have these documents by *[insert date 14 calendar days from this request]*. Please send us these documents at the following address: *[insert servicer address]*.

Short Sale Program—Your Responsibilities

You have until *[insert date 120 calendar days from the date of this letter]* to sell your house. After that date, this Agreement terminates, unless it is extended by us. During this time you have certain responsibilities. You must:

- 1 Keep your house and your property in good condition and repair and cooperate with your broker to show it to potential buyers.
- 2 *[Insert only if applicable:]* Make partial mortgage payments of \$ _____ by the first day of each month beginning on _____ 1, 20__ until your house is sold and title is transferred. While you are selling your house, you still legally owe the full amount of your current monthly mortgage payment. However, as part of this Agreement, we will accept this reduced payment until the house is sold and closes or this Agreement expires. These payments do not constitute a modification of your mortgage.
- 3 Be able to provide the buyer of your home with clear title. To start, determine if you have other loans, judgments or liens secured by your home, such as a home-equity line of credit or a second mortgage. If there are such liens, you will need to either pay these loans off in full or negotiate with the lien holders to release them before the closing date. Under this program, you must make sure other lien holders will agree not to pursue other legal action related to the pay off of their lien, such as a deficiency judgment. You can get help from your broker to negotiate with the other lien holders.
- 4 We may allow up to 6% of the unpaid principal balance of each loan (not to exceed an aggregate of \$6,000 for all the loans in total) to be paid from the sale proceeds to help get a lien release. If you have these types of liens or loans on your home, please gather any paperwork you have (such as your last statement) and send it to us when you return this signed Agreement. Remember, clearing these other liens and delivering clear and marketable title is your responsibility.
- 5 At several stages of the short sale process, such as after an offer is received, you will need to complete some paperwork. You are responsible for returning all documents within the time allowed in this Agreement.

If you fulfill these responsibilities, we will postpone any foreclosure sale during the period of this Agreement.

Short Sale Program—Additional Information

- You can't list the property with or sell it to anyone that you are related to or have a close personal or business relationship with. In legal language, it must be an "arm's length transaction." If you have a real estate license you can't earn a commission by listing your own property. You may not have any agreements to receive a portion of the commission or the sales price after closing. Any buyer of your property must agree to not sell the home within 90 calendar days of the date it is sold by you. You may not have any expectation that you will be able to buy or rent *[servicer may delete "or rent" in accordance with investor guidelines]* your house back after the closing. Any knowing violation of the arm's length transaction prohibition may be a violation of federal law.
- We will need to talk to your broker and others involved in the sale. By signing this Agreement, you are authorizing us to communicate and share personal financial information about your mortgage, credit history, subordinate liens, and plans for relocation with your broker and other third parties that could be involved in the transaction including employees of the United States Treasury and its financial agents, Fannie Mae and Freddie Mac.
- The difference between the remaining amount of principal you owe and the amount that we receive from the sale must be reported to the Internal Revenue Service (IRS) on Form 1099C, as debt forgiveness. In some cases, debt forgiveness could be taxed as income. The amount we pay you for moving expenses may also be reported as income. We suggest that you contact the IRS or your tax preparer to determine if you may have any tax liability.
- We will follow standard industry practice and report to the major credit reporting agencies that your mortgage was settled for less than the full payment. We have no control over, or responsibility for the impact of this report on your credit score. To learn more about the potential impact of a short sale on your credit you may want to go to <http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre24.shtm>.

[Insert optional Deed-in-Lieu language if applicable:]

If by the termination date of this Agreement, you have complied with all your responsibilities but are unable to sell your home, we will allow you to convey ownership of your home and all real property secured by your mortgage loan (your "Property"). While this action, called a deed-in-lieu of foreclosure, will not allow you to keep your Property, it will prevent you from going through a foreclosure sale and it will release you from all responsibility to repay the mortgage debt. Additionally, you will still be eligible to receive \$3,000 to help with your moving expenses.

You and all other occupants must vacate your Property and provide clear and marketable title with a general warranty deed or local equivalent by *[insert date at least 30 days after the date of this Agreement]*. You must leave the house in broom clean condition, free of interior and exterior trash, debris or damage, and all personal belongings must be removed from the Property. The yard must be clean and neat and you must deliver all the keys and controls, such as garage door openers, to us. You may be required to sign standard pre-closing documents as well as attend a closing of the conveyance of your Property where all borrowers on the mortgage must be present.

You must also be able to deliver marketable title free of any other liens. We will allow up to six percent (6%) of the unpaid principal balance of each subordinate lien, in order of priority, not to exceed \$6,000 in aggregate for all subordinate liens, to be deducted from the sale proceeds to pay subordinate lien holders to release their liens. We require each subordinate lien holder to release you from personal liability for the loans in order for the sale to qualify for this program, but we do not take any responsibility for ensuring that the lien holders do not seek to enforce personal liability against you. Therefore, we recommend that you take steps to satisfy yourself that the subordinate lien holders release you from personal liability.

By signing this letter, you are agreeing not only to a short sale but also to a deed-in-lieu of foreclosure if a short sale is not successful. If you have any questions about the deed-in-lieu of foreclosure, please call us before signing and returning this letter.]

Short Sale Program—Receiving/Accepting an Offer

When you receive an offer on your home, within the next 3 business days, you will send us a Request to Approve a Short Sale (RASS) form, a copy of which is attached to this Agreement as Exhibit A1. You will also need to send along a copy of the signed purchase offer and evidence that the buyer has funds to purchase the home, such as a letter that the buyer is approved for a mortgage loan. Within 10 business days of our receipt of these documents, we will approve the sale if it is within the terms and conditions of this Agreement and any other liens are released.

When the sale closes in accordance with this Agreement, we will accept the net sale proceeds (all the funds that remain after the approved sales costs have been paid) in full satisfaction of your mortgage with us and will release you from all future liability.

We hope you decide to take advantage of this short sale option. If you or your broker have any questions about this Agreement please call us at [insert servicer phone number].

If you would like to speak with a counselor about this program, call the Homeowner's HOPE™ Hotline 1-888-995-HOPE (4673). The Homeowner's HOPE™ Hotline offers free HUD-certified counseling services and is available 24/7 in English and Spanish. Other languages are available by appointment.

Short Sale Agreement Terms and Conditions

1. **List Price or Acceptable Sale Proceeds.** *[Choose one and delete unnecessary text.]* [You agree to list the property in "as is" condition for [dollar amount].] OR [We will accept a sales contract where the proceeds from the sale, less the expenses stated in paragraph 5. *Allowable Costs*, nets [dollar amount].] We are not responsible for the accuracy of the list price and have no responsibility to you in the event the property is not sold. We may require you to adjust the list price or other offer terms.
2. **Listing Agreement.** The listing agreement must include the following clauses:
 - a. **Cancellation Clause.** "Seller may cancel this Agreement prior to the ending date of the listing period without advance notice to the broker, and without payment of a commission or any other consideration, if the property is conveyed to the mortgage insurer or the mortgage holder."
 - b. **Listing Agreement Contingency Clause.** "Sale of the property is contingent on written agreement to all sale terms by the mortgage holder and the mortgage insurer (if applicable)."
3. **Property Maintenance and Expenses.** You are responsible for all property maintenance and expenses during the listing period including utilities, assessments, association dues and costs for interior and exterior upkeep required to show the property to its best advantage. Additionally, until ownership is transferred, you must report any and all property damage to us and file a hazard insurance claim for covered damage. Unless insurance proceeds are used to pay for repairs or personal property losses as provided in the mortgage documents, we may require that they be applied to reduce the mortgage debt.
4. *[Insert only if applicable:]* **Partial Mortgage Payments.** Beginning on _____ 1, 20____, you will be required to make partial mortgage payments of \$_____ by the first day of each month during the term of the Agreement and pending transfer of property ownership. You are legally obligated to make the full amount of your current monthly mortgage payments. However, we will accept this reduced partial payment until the house is sold or this Agreement expires. The partial mortgage payments do not constitute a modification of your mortgage.
5. **Allowable Costs that May be Deducted from Gross Sale Proceeds**
 - a. **Closing Costs.** The closing costs paid by you or on your behalf as seller must be reasonable and customary for the market. *[Choose one and delete unnecessary text.]* [Acceptable closing costs, including the commission, which may be deducted from the gross sale proceeds may not exceed \$_____.] OR [Acceptable closing costs, including the commission, which may be deducted from the gross sale proceeds may not exceed _____% of the list price.] OR [Closing costs which may be deducted from the gross sale proceeds are limited to title search and escrow expenses usually paid by the seller; reasonable settlement escrow/attorney's fees; transfer taxes and recording fees usually paid by the seller; termite inspection and treatment as required by law or custom; pro-rated real property taxes; and, real estate commissions of _____ percent of the contract sales price [add other closing costs that may be included].]
 - b. **Subordinate Liens.** We will allow up to six percent (6%) of the unpaid principal balance of each subordinate lien in order of priority, not to exceed a total of \$6,000, to be deducted from the gross sale proceeds to pay subordinate lien holders to release their liens. We require each subordinate lien holder to release you from personal liability for the loans in order for the sale to qualify for this program, but we do not take any responsibility for ensuring that the lien holders do not seek to enforce personal liability against you. Therefore, we recommend that you take steps to satisfy yourself that the subordinate lien holders release you from personal liability.
 - c. **Real Estate Commissions.** We will allow to be paid from sale proceeds, real estate commissions of _____ percent of the contract sales price, to be paid to the listing and selling brokers involved in the transaction. Neither you nor the buyer may receive a commission. Any commission that would otherwise be paid to you or the buyer must be reduced from the commission due on sale. *[Optional text:]* Please note: We have retained a vendor to assist your listing broker with the sale. The vendor and your listing broker will work together on your behalf to facilitate the sale process. *[Choose one and delete unnecessary text.]* [The vendor will be paid from sale proceeds [\$_____].] OR [an amount equal to _____% of the sales price].] OR [The vendor will be paid by us outside of the sales transaction.]
 - d. **Borrower Relocation Assistance.** If the closing of the short sale occurs in accordance with this Agreement, you will be entitled to an incentive payment of \$3,000 to assist with relocation expenses. We will instruct the settlement agent to pay you from the sale proceeds at the same time that all other payments, including the payoff of our first

Program Terms And Conditions



mortgage, are disbursed by the settlement agent. Only one payment per household is provided for the relocation assistance, regardless of the number of borrowers.

6. **Sales Contracts.** Within three business days of a bona-fide purchase offer, you must submit a Request for Approval of a Short Sale, which is attached as Exhibit A1, along with a copy of a fully executed Sales Contract, all addenda and Buyer's documentation of funds or Buyer's pre-approval or commitment letter on letterhead from a lender.
7. **Parties to the Sale.** The Sales Contract must contain the following clauses: "Seller and Buyer each represent that the sale is an "arm's length" transaction and the Seller and Buyer are unrelated to each other by family, marriage or commercial enterprise." "The Buyer agrees not to sell the property within 90 days of closing of this sale."
8. **Closing.** The closing must occur within _____ calendar days of the Sales Contract execution date.
9. **Foreclosure Sale Suspension.** We may initiate or continue the foreclosure process as permitted by the mortgage documents; however, we will suspend any foreclosure sale date until the expiration date of this Agreement or the date of closing of an approved short sale, whichever is later, provided you continue to abide by the terms and conditions of this Agreement.
10. **Satisfaction and Release of Liability.** If all of the terms and conditions of this Agreement are met, upon sale and settlement of the property, servicer will prepare and send for recording a lien release in full satisfaction of the mortgage, foregoing all rights to personal liability or deficiency judgment.
11. *[Insert only if applicable.]* **Mortgage Insurer or Guarantor Approval.** The terms and conditions of the sale are subject to the written approval of the mortgage insurer or guarantor.
12. **Termination of this Agreement.** Unless otherwise agreed by the parties, this Agreement will terminate on *[insert date]*. We may also terminate this Agreement at any time if:
 - a. Your financial situation improves significantly, you qualify for loan modification, you bring the account current or you pay off the mortgage in full.
 - b. You or your broker fails to act in good faith in marketing and /or closing on the sale of the property, or otherwise fails to abide by the terms of this Agreement.
 - c. A significant change occurs to the property condition or value.
 - d. There is evidence of fraud or misrepresentation.
 - e. You file for bankruptcy and the Bankruptcy Court declines to approve the Agreement.
 - f. Litigation is initiated or threatened that could affect title to the property or interfere with a valid conveyance.
 - g. *[Insert only if applicable:]* You do not make the payments required under this Agreement.
13. **Settlement of a Debt.** The proposed transaction represents our attempt to reach a settlement of the delinquent mortgage. You are choosing to enter into this Agreement even though there is no guarantee that the transaction will be successful. In the event this transaction is unsuccessful, we may exercise our remedies under the mortgage, including foreclosure.

Signature of Servicer Representative

Title

Printed Name of Servicer Representative

Date

Short Sale Agreement

PLEASE READ THIS AGREEMENT CAREFULLY BEFORE YOU SIGN, BECAUSE IT AFFECTS YOUR LEGAL RIGHTS.

Borrower Acknowledgement of Risks, Conditions and Contingencies. In signing and returning this Short Sale Agreement, I/we agree to all the stated terms and conditions.

Borrower Signature	Date	Co-Borrower Signature	Date
Printed Name		Printed Name	

Acknowledgement by Listing Broker

The undersigned listing broker ("Broker") is not a party of the Short Sale Agreement ("Agreement") above, but acknowledges that the Broker:

1. Has been retained by the borrower for the sale of the property.
2. Has reviewed the terms and conditions of the Agreement above.
3. Agrees that in the event of a conflict between the terms of the listing agreement and the terms agreed to by the borrower in the Agreement above, the listing agreement will be deemed amended to conform to the terms of the Agreement.
4. Acknowledges that pursuant to the Agreement, the Servicer will not review a sales contract unless a Request for Approval of Short Sale, attached as Exhibit A1, is completed.

Listing Broker Name	Listing Broker Signature
Address:	License #:
	Office Phone:
	Cell Phone:
Date:	E-mail Address:

If you have questions, please contact us directly between the hours of [insert hours] at [insert toll free number].

If you would like to speak with a counselor about this program, call the Homeowner's HOPE™ Hotline 1-888-995-HOPE (4673). The Homeowner's HOPE™ Hotline offers free HUD-certified counseling services and is available 24/7 in English and Spanish. Other languages are available by appointment.

NOTICE TO BORROWER

Be advised that by signing this document you understand that any documents and information you submit to your servicer in connection with the Making Home Affordable Program are under penalty of perjury. Any misstatement of material fact made in the completion of these documents including but not limited to misstatement regarding your occupancy in your home, hardship circumstances, and/or income, expenses, or assets will subject you to potential criminal investigation and prosecution for the following crimes: perjury, false statements, mail fraud, and wire fraud. The information contained in these documents is subject to examination and verification. Any potential misrepresentation will be referred to the appropriate law enforcement authority for investigation and prosecution. By signing this document you certify, represent and agree that: "Under penalty of perjury, all documents and information I have provided to lender in connection with the Making Home Affordable Program, including the documents and information regarding my eligibility for the program, are true and correct."

If you are aware of fraud, waste, abuse, mismanagement or misrepresentations affiliated with the Troubled Asset Relief Program, please contact the SIGTARP Hotline by calling 1-877-SIG-2009 (toll-free), 202-622-4559 (fax), or www.sig tarp.gov. Mail can be sent Hotline Office of the Special Inspector General for Troubled Asset Relief Program, 1801 L St. NW, Washington, DC 20220.



HELP FOR AMERICA'S HOMEOWNERS.



[Name of Servicer]
[Address of Servicer]

[Loan #]
[Servicer FAX]
[Servicer Email]

[Date]

[Name of Borrower]
[Name of Co-Borrower]
[Address of Borrower]

[Borrower Phone]
[Borrower Email]

RE: Request for Approval of Short Sale Pursuant to Agreement Dated [Date of SSA]

This is a Request for Approval of the Short Sale Pursuant to Agreement Dated [Date of SSA] between the above referenced Servicer ("Servicer") and the borrower and co-borrower ("Borrower" or "you"). Under penalty of perjury you certify that:

- 1) the sale of the property is an "arm's length" transaction, between parties who are unrelated and unaffiliated by family, marriage, or commercial enterprise;
- 2) there are no agreements or understandings between you and the Buyer that you will remain in the property as a tenant or later obtain title or ownership of the property;
- 3) neither you nor the Buyer will receive any funds or commissions from the sale of the property; and
- 4) there are no agreements or offers relating to the sale or subsequent sale of the property that have not been disclosed to the Servicer.

Please complete, sign and return the Terms of Sale on the following page.

Program Terms And Conditions



Terms of Sale [All blanks to be completed by Borrower]:

1. Contract Sales Price	\$	6. Closing Date:
2. Less Total Allowable Closing Costs:	\$	7. Approved Buyer(s):
a. Commissions	\$	
b. Settlement Escrow/Attorney Fees	\$	8. Settlement Agent:
c. Seller's Title and Escrow Fees	\$	
d. Subordinate Lien Payoff	\$	
e. Transfer taxes/stamps/recording fees	\$	
f. Real Property Taxes	\$	
g. Termite Inspection/Repair	\$	
h. Borrower Relocation Assistance:	\$ 3,000	9. Settlement Agent's Address:
i. Other (attach explanation)	\$	
3. Net Proceeds to Servicer	\$	10. Settlement Agent's Office Phone:
4. Earnest Money Deposit	\$	
5. Down Payment	\$	11. Settlement Agent's Office Fax:

As required by the Short Sale Agreement, copies of the following documents are attached:

- Sales contract and all addenda
- Buyer's documentation of funds or Buyer's pre-approval or commitment letter on letterhead from lender

The Borrower represents that the information provided in this Request is true and accurate and authorizes the Servicer to disclose to the U.S. Department of the Treasury or other government agency, Fannie Mae and/or Freddie Mac any information provided in connection with the Making Home Affordable program.

Borrower Signature	Date	Co-Borrower Signature	Date
Printed Name		Printed Name	

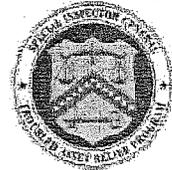
If you would like to speak with a counselor about this program, call the Homeowners HOPE™ Hotline 1-888-995-HOPE (4673). The Homeowner's HOPE™ Hotline offers free HUD-certified counseling services and is available 24/7 in English and Spanish. Other languages are available by appointment.

If you have questions, please contact us directly between the hours of [insert hours] at [insert toll free number.]

NOTICE TO BORROWER

Be advised that by signing this document you understand that any documents and information you submit to your servicer in connection with the Making Home Affordable Program are under penalty of perjury. Any misstatement of material fact made in the completion of these documents including but not limited to misstatement regarding your occupancy in your home, hardship circumstances, and/or income, expenses, or assets will subject you to potential criminal investigation and prosecution for the following crimes: perjury, false statements, mail fraud, and wire fraud. The information contained in these documents is subject to examination and verification. Any potential misrepresentation will be referred to the appropriate law enforcement authority for investigation and prosecution. By signing this document you certify, represent and agree that: "Under penalty of perjury, all documents and information I have provided to Lender in connection with the Making Home Affordable Program, including the documents and information regarding my eligibility for the program, are true and correct."

If you are aware of fraud, waste, abuse, mismanagement or misrepresentations affiliated with the Troubled Asset Relief Program, please contact the SIGTARP Hotline by calling 1-877-SIG-2009 (toll-free), 202-622-4559 (fax), or www.sig tarp.gov. Mail can be sent Hotline Office of the Special Inspector General for Troubled Asset Relief Program, 1801 L St. NW, Washington, DC 20220.



To be Completed by Your Servicer

Approval of Short Sale - The Servicer consents to this Request for Approval of Short Sale and agrees to accept all net proceeds from the settlement as full and final satisfaction of the first mortgage indebtedness on the referenced property. This agreement is subject to the following:

- A. **Terms** – The sale and closing comply with all terms and conditions of the Short Sale Agreement between the Servicer and the Borrower as well as all terms and representations provided herein by the Borrower.
- B. **Changes** – Any change to the terms and representations contained in this Request for Approval of Short Sale or the attached sales contract between you and the buyer must be approved by the Servicer in writing. The Servicer is under no obligation to approve such changes.
- C. **Subordinate Liens** – Prior to releasing any funds to holders of subordinate liens/mortgages, the closing agent must obtain a written commitment from the subordinate lien holder that it will release Borrower from all claims and liability relating to the subordinate lien in exchange for receiving the agreed upon payoff amount.
- D. **HUD-1** – A HUD-1 Settlement Statement, which will be signed by you and the buyer at closing, must be provided to the Servicer not later than one business day before the date indicated in Line 4, *Closing Date*.
- E. **Bankruptcy** – If you are currently in bankruptcy or you file bankruptcy prior to closing, you must obtain any required consent or approval of the Bankruptcy Court.
- F. **Tax Consequences** – A short payoff of the mortgage may have tax consequences. You are advised to contact a tax professional to determine the extent of tax liability, if any.
- G. **Credit Bureau Reporting** – We will follow standard industry practice and report to the major credit reporting agencies that your mortgage was settled for less than the full payment. We have no control over or responsibility for the impact of this report on your credit score. To learn more about the potential impact of a short sale on your credit you may want to go to <http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre24.shtm>.
- H. **Payment Instructions** – Payoff funds and a final HUD-1 Settlement Statement must be received by the Servicer within 48 hours of closing in accordance with the attached wiring instructions. *[include instructions]*
- I. **Closing Instructions** – *[include proprietary closing instructions, if any]*

If you have questions, please contact us directly between the hours of [insert hours] at [insert toll free number.]

Signature of Servicer Representative

Title

Printed Name of Servicer Representative

Date

Servicer Use Only



To be Completed by Your Servicer

Disapproval of Short Sale - The Servicer disapproves this Request for Approval of Short Sale, for the following reasons (check all applicable reasons):

<input type="checkbox"/>	You did not comply with all terms and conditions of the Short Sale Agreement between Servicer and Borrower dated ____/____/____ as it relates to section/s: _____
<input type="checkbox"/>	The Request for Approval of Short Sale was not complete and/or fully executed. <ul style="list-style-type: none"><input type="checkbox"/> Failure to provide executed sales contract or addenda<input type="checkbox"/> Failure to provide buyer's documentation of funds to close or buyer's pre-approval or commitment letter on letterhead from lender
<input type="checkbox"/>	The net proceeds available to pay off the first mortgage loan are insufficient, due to: <ul style="list-style-type: none"><input type="checkbox"/> Contract sales price is below list price stated in Short Sale Agreement<input type="checkbox"/> Net proceeds amount is less than acceptable net proceeds stated in Short Sale Agreement<input type="checkbox"/> Excessive financial concessions<input type="checkbox"/> Excessive commissions<input type="checkbox"/> Excessive closing costs<input type="checkbox"/> Excessive payments to subordinate liens/mortgages OR release of subordinate liens did not occur
<input type="checkbox"/>	The mortgage insurer did not approve the short sale.
<input type="checkbox"/>	Other: _____

If you have questions, please contact us directly between the hours of [insert hours] at [insert toll free number.]

Signature of Servicer Representative

Title

Printed Name of Servicer Representative

Date

HELP FOR AMERICA'S HOMEOWNERS.



[Name of Servicer]
[Address of Servicer]

[Name of Borrower]
[Name of Co-Borrower]
[Address of Borrower]

[Loan #]
[Servicer FAX]
[Servicer Email]

[Borrower Phone]
[Borrower Email]

[Date]

RE: Request for Approval of Short Sale

You have taken an important step toward selling your home and avoiding foreclosure by participating in the federal government's **Home Affordable Foreclosure Alternatives (HAFA)** Program. This letter is a Request for Approval of a Short Sale and contains important information.

Read the following pages carefully and complete, sign and return the Terms and Conditions.

If you have not previously contacted us regarding eligibility for a loan modification, you should consider this alternative. Under the Home Affordable Modification Program (HAMP), you may qualify for a modification with affordable and sustainable monthly payments that would allow you to keep your home. Please contact us by *[insert date, 14 calendar days from date of this request]* if you wish to be considered for a loan modification.

If you have questions, please contact us directly between the hours of *[insert hours]* at *[insert toll free number]*.

Sincerely,

[Servicer Name]

Program Terms And Conditions



The borrower and co-borrower, if applicable ("Borrower" or "you"), of the above loan contacted the Servicer ("Servicer" or "we") because your mortgage payments are no longer affordable and you would like to avoid foreclosure. After listing your house for sale, an offer was received. However, the sale may not be sufficient to pay off the loan. This is a Request for Approval of a Short Sale ("Request") of the subject property, the net sale proceeds from which we agree to accept as the payoff of the mortgage loan even though the proceeds are expected to be less than the full amount due.

Short Sale Program—Terms and Conditions of the Request are as follows:

1. Allowable Costs that May be Deducted from Gross Sale Price

- a. **Closing Costs.** The closing costs paid by you or on your behalf as seller must be reasonable and customary for the market. [Choose one and delete unnecessary text.] [Acceptable closing costs, including the commission, which may be deducted from the gross sale proceeds may not exceed \$ _____.] OR [Acceptable closing costs, including the commission, which may be deducted from the gross sale proceeds may not exceed ____% of the list price.] OR [Closing costs which may be deducted from the gross sale proceeds are limited to title search and escrow expenses usually paid by the seller; reasonable settlement escrow/attorney's fees; transfer taxes and recording fees usually paid by the seller; termite inspection and treatment as required by law or custom; pro-rated real property taxes; and, negotiated real estate commissions not to exceed six percent (6%) of the contract sales price [add other closing costs that may be included].]
 - b. **Subordinate Liens.** We will allow up to six percent (6%) of the unpaid principal balance of each subordinate lien in order of priority, not to exceed a total of \$6,000; to be deducted from the gross sale proceeds to pay subordinate lien holders to release their liens. We require each subordinate lien holder to release you from personal liability for the loans in order for the sale to qualify for this program, but we do not take any responsibility for ensuring that the lien holders do not seek to enforce personal liability against you. Therefore, we recommend that you take steps to satisfy yourself that the subordinate lien holders release you from personal liability.
 - c. **Real Estate Commissions.** We will allow to be paid from sale proceeds, real estate commissions as stated in the listing agreement between you and your broker, not to exceed six percent (6%) of the contract sales price, to be paid to the listing and selling brokers involved in the transaction. Neither you nor the buyer may receive a commission. Any commission that would otherwise be paid to you or the buyer must be reduced from the commission due on sale. [Optional text:] Please note: We have retained a vendor to assist your listing broker with the sale. The vendor and your listing broker will work together on your behalf to facilitate the sale process. [Choose one and delete unnecessary text.] [The vendor will be paid from sale proceeds [\$ _____] OR [an amount equal to ____% of the sales price]. OR [The vendor will be paid by us outside of the sales transaction.]
 - d. **Borrower Relocation Assistance.** If the closing of the short sale occurs in accordance with this Agreement, you will be entitled to an incentive payment of \$3,000 to assist with relocation expenses. We will instruct the settlement agent to pay you from the sale proceeds at the same time that all other payments, including the payoff of our first mortgage, are disbursed by the settlement agent. Only one payment per household is provided for the relocation assistance, regardless of the number of borrowers.
2. **Property Maintenance and Expenses.** You are responsible for all property maintenance and expenses of your home until you convey your Property to us, including utilities, assessments, association dues, and costs for interior and exterior maintenance. Additionally, you must report any and all property damage to us and file a hazard insurance claim for covered damage. Unless insurance proceeds are used to pay for repairs or personal property losses, we may require that they be applied to reduce the mortgage debt.

Program Terms And Conditions



3. [Insert only if applicable:] **Partial Mortgage Payments.** Beginning on _____ 1, 20____, you will be required to make partial mortgage payments of \$_____ by the first day of each month during the term of the Request and pending transfer of property ownership. You are legally obligated to make the full amount of your current monthly mortgage payments. However, we will accept this reduced partial payment until the house is sold or this Agreement expires. The partial mortgage payments do not constitute a modification of your mortgage.
4. **Parties to the Sale.** The Sales Contract must include the following clauses: "Seller and Buyer each represent that the sale is an "arm's length" transaction and the Seller and Buyer are unrelated to each other by family, marriage or commercial enterprise." "The Buyer agrees not to sell the property within 90 days of closing of this sale."
5. **Foreclosure Sale Suspension.** We may initiate or continue the foreclosure process as permitted by the mortgage documents; however, we will suspend any foreclosure sale date until the expiration date of this Request or the date of closing of an approved short sale, whichever is later, provided that you abide by its terms and conditions.
6. **Satisfaction and Release of Liability.** If all of the terms and conditions of this Request are met, upon sale and settlement of the property, we will prepare and send to the settlement agent for recording, a lien release in full satisfaction of the mortgage, foregoing all rights to pursue a deficiency judgment.
7. [Insert only if applicable.] **Mortgage Insurer or Guarantor Approval.** The terms and conditions of the purchase contract are subject to the written approval of the mortgage insurer or guarantor.
8. **Termination of This Request.** Unless otherwise agreed by the parties, this Request will terminate on [insert date] if the sale does not close. This Request may be terminated earlier if:
 - a. You fail to provide all the required documents listed above.
 - b. Your financial situation improves significantly, you qualify for a modification, you bring the account current or you pay off the mortgage in full.
 - c. You or your broker fails to act in good faith in closing on the sale of the property or otherwise fails to abide by the terms of this Request.
 - d. A significant change occurs to the property condition or value.
 - e. There is evidence of fraud or misrepresentation.
 - f. You file for bankruptcy and the Bankruptcy Court declines to approve the Request.
 - g. Litigation is initiated or threatened that could affect title to the property or interfere with a valid conveyance.
 - h. [Insert only if applicable:] You do not make the payments required under this Request.
9. **Settlement of a Debt.** The proposed transaction represents the Servicer's attempt to reach a settlement of the delinquent mortgage. You are choosing to enter into this transaction even though there is no guarantee that the transaction will be successful. In the event this transaction is unsuccessful, the Servicer may exercise all remedies under the mortgage, including foreclosure.

Under penalty of perjury, you certify that:

1. the sale of the property is an "arm's-length" transaction, between parties who are unrelated and unaffiliated by family, marriage, or commercial enterprise;
2. there are no agreements or understandings between you and the Buyer that you will remain in the property as a tenant or later obtain title or ownership of the property;
3. neither you nor the Buyer will receive any funds or commissions from the sale of the property; and
4. there are no agreements or offers relating to the sale or subsequent sale of the property that have not been disclosed to the Servicer.

Program Terms And Conditions



Terms of Sale [All blanks to be completed by Borrower]:

1. Contract Sales Price	\$	6. Closing Date:
2. Less Total Allowable Closing Costs	\$	7. Approved Buyer(s):
a. Commissions	\$	
b. Settlement Escrow/Attorney Fees	\$	
c. Seller's Title and Escrow Fees	\$	8. Settlement Agent:
d. Subordinate Lien Payoff	\$	
e. Transfer taxes/stamps/recording fees	\$	
f. Real Property Taxes	\$	9. Settlement Agent's Address:
g. Termite Inspection/Repair	\$	
h. Borrower Relocation Assistance	\$ 3,000	
i. Other (attach explanation)	\$	
3. Net Proceeds to Servicer	\$	
4. Earnest Money Deposit	\$	10. Settlement Agent's Office Phone:
5. Down Payment	\$	11. Settlement Agent's Office Fax:

As required by the Short Sale Program, copies of the following documents are attached:

- Signed Request;
- Copy of a signed listing agreement with a real estate broker, if applicable;
- Executed copy of the sales contract and all addenda;
- Buyer's documentation of funds or Buyer's pre-approval or commitment letter on letterhead from a lender;
- Information about other liens secured by your home such as home-equity loans;
- [Insert only if applicable:] Completed and signed Hardship Affidavit form; and
- Servicer must have these documents no later than [insert date 14 calendar days from date of this request] or we will not be able to respond to this request. Please send us these documents at the following address: [insert servicer address].

The Borrower represents that the information provided in this Request is true and accurate and authorizes the Servicer to disclose to the U.S. Department of the Treasury or other government agency, Fannie Mae and/or Freddie Mac any information provided in connection with the Making Home Affordable program.

Borrower Signature	Date	Co-Borrower Signature	Date
_____	_____	_____	_____
Printed Name		Printed Name	

If you would like to speak with a counselor about this program, call the Homeowner's HOPE™ Hotline 1-888-995-HOPE (4673). The Homeowner's HOPE™ Hotline offers free HUD-certified counseling services and is available 24/7 in English and Spanish. Other languages are available by appointment.

If you have questions, please contact us directly between the hours of [insert hours] at [insert toll free number.]

NOTICE TO BORROWER

Be advised that by signing this document you understand that any documents and information you submit to your servicer in connection with the Making Home Affordable Program are under penalty of perjury. Any misstatement of material fact made in the completion of these documents including but not limited to misstatement regarding your occupancy in your home, hardship circumstances, and/or income, expenses, or assets will subject you to potential criminal investigation and prosecution for the following crimes: perjury, false statements, mail fraud, and wire fraud. The information contained in these documents is subject to examination and verification. Any potential misrepresentation will be referred to the appropriate law enforcement authority for investigation and prosecution. By signing this document you certify, represent and agree that: "Under penalty of perjury, all documents and information I have provided to Lender in connection with the Making Home Affordable Program, including the documents and information regarding my eligibility for the program, are true and correct."

If you are aware of fraud, waste, abuse, mismanagement or misrepresentations affiliated with the Troubled Asset Relief Program, please contact the SIGTARP Hotline by calling 1-877-SIG-2009 (toll-free), 202-622-4559 (fax), or www.sig tarp.gov. Mail can be sent Hotline Office of the Special Inspector General for Troubled Asset Relief Program, 1801 L St. NW, Washington, DC 20220.



To be Completed by Your Servicer

Approval of Short Sale - The Servicer consents to this Request for Approval of Short Sale and agrees to accept all net proceeds from the settlement as full and final satisfaction of the first mortgage indebtedness on the referenced property. This approval is subject to the following:

- A. **Terms** – The sale and closing comply with all terms and conditions of the Request as well as all terms and representations provided herein by the Borrower.
- B. **Changes** – Any change to the terms and representations contained in the Request or the attached sales contract between you and the buyer must be approved by the Servicer in writing. The Servicer is under no obligation to approve such changes.
- C. **Subordinate Liens** – Prior to releasing any funds to holders of subordinate liens/mortgages, the closing agent must obtain a written commitment from the subordinate lien holder that it will release Borrower from all claims and liability relating to the subordinate lien in exchange for receiving the agreed upon payoff amount.
- D. **HUD-1** – A HUD-1 Settlement Statement, which will be signed by you and the buyer at closing, must be provided to the Servicer not later than one business day before the date indicated in Line 4, *Closing Date*.
- E. **Bankruptcy** – If you are currently in bankruptcy or you file bankruptcy prior to closing, you must obtain any required consent or approval of the Bankruptcy Court.
- F. **Tax Consequences** – A short payoff of the mortgage may have tax consequences. You are advised to contact a tax professional to determine the extent of tax liability, if any.
- G. **Credit Bureau Reporting** – We will follow standard industry practice and report to the major credit reporting agencies that your mortgage was settled for less than the full payment. We have no control over or responsibility for the impact of this report on your credit score. To learn more about the potential impact of a short sale on your credit you may want to go to <http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre24.shtm>.
- H. **Payment Instructions** – Payoff funds and a final HUD-1 Settlement Statement must be received by the Servicer within 48 hours of closing in accordance with the attached wiring instructions. [*include instructions*]
- I. **Closing Instructions** – [*include proprietary closing instructions, if any*].

If you have questions, please contact us directly between the hours of [insert hours] at [insert toll free number.]

Signature of Servicer Representative

Title

Printed Name of Servicer Representative

Date

Servicer Use Only



To be Completed by your Servicer

Disapproval of Short Sale - The Servicer disapproves this Request for Approval of Short Sale, for the following reasons (check all applicable reasons):

<input type="checkbox"/>	You did not comply with all terms and conditions of the Request for Approval of Short Sale as it relates to section/s: _____ _____
<input type="checkbox"/>	The Request for Approval of Short Sale was not complete and/or fully executed. <ul style="list-style-type: none"><input type="checkbox"/> Failure to provide executed sales contract or addenda<input type="checkbox"/> Failure to provide buyer's documentation of funds to close or buyer's pre-approval or commitment letter on letterhead from lender
<input type="checkbox"/>	The net proceeds available to pay off the first mortgage loan are insufficient, due to: <ul style="list-style-type: none"><input type="checkbox"/> Contract sales price is below list price stated in Short Sale Agreement<input type="checkbox"/> Net proceeds amount is less than acceptable net proceeds stated in Short Sale Agreement<input type="checkbox"/> Excessive financial concessions<input type="checkbox"/> Excessive commissions<input type="checkbox"/> Excessive closing costs<input type="checkbox"/> Excessive payments to subordinate liens/mortgages OR release of subordinate liens did not occur
<input type="checkbox"/>	The mortgage insurer, investor or guarantor of the loan did not approve the short sale.
<input type="checkbox"/>	Other:

If you have questions, please contact us directly between the hours of [insert hours] at [insert toll free number.]

Signature of Servicer Representative	Title
Printed Name of Servicer Representative	Date

HELP FOR AMERICA'S HOMEOWNERS.



[Name of Servicer]
[Address of Servicer]

[Loan #]
[Servicer FAX]
[Servicer Email]

[Date]

[Name of Borrower]
[Name of Co-Borrower]
[Address of Borrower]

[Borrower Phone]
[Borrower Email]

Dear [borrower and co-borrower name(s)]:

As your mortgage servicer, we are offering you the opportunity to participate in the federal government's **Home Affordable Foreclosure Alternatives (HAFA)** Program by utilizing the Deed-in-Lieu of Foreclosure (DIL) option to avoid foreclosure.

Home Affordable Foreclosure Alternatives Program – Deed-in-Lieu of Foreclosure

A "deed-in-lieu of foreclosure" is specifically designed to help borrowers who are unable to afford their first mortgage and want to avoid foreclosure. With a DIL, you voluntarily transfer ownership of your home and all real property secured by your mortgage loan (Property) to us to satisfy the total amount due on the first mortgage.

[Include or delete as appropriate.] While you previously entered into a Short Sale Agreement (and you complied with all your responsibilities), your Property did not sell. The DIL option will not allow you to keep your Property, however, it will prevent you from going through a foreclosure sale and it will release you from all responsibility to repay the mortgage debt. Additionally, you will be eligible to receive an assistance payment of \$3,000 to help with your moving expenses.

How Does a DIL Work?

- **Title**—You and all other occupants must vacate your Property and provide clear and marketable title with a general warranty deed or local equivalent by *[insert date at least 30 days after the date of this Agreement]*.
 - You must also be able to deliver marketable title free of any other liens. We will contribute up to six percent (6%) of the unpaid principal balance of each subordinate lien, not to exceed a total of \$6,000, toward paying off any subordinate lien holders.
 - We require each subordinate lien holder to release you from personal liability for the loans in order for the sale to qualify for this program, but we do not take any responsibility for ensuring that the lien holders do not seek to enforce personal liability against you. Therefore, we recommend that you take steps to satisfy yourself that the subordinate lien holders release you from personal liability.
- **Property Condition**—You must leave the house in broom-clean condition, free of interior and exterior trash, debris or damage, and all personal belongings must be removed from the Property. The yard must be clean and neat and you must deliver all the keys and controls (e.g., garage door openers) to us.
- **Transfer/Closing**—You may be required to sign standard pre-closing documents as well as attend a closing of the transfer of your Property where all borrowers on the mortgage must be present.

The following pages detail your responsibilities, additional information on the DIL process and the Terms and Conditions. **Additionally, this letter constitutes an agreement between us and you ("Agreement").** If you agree to the terms of the Agreement and want to proceed with a DIL, you must complete, sign and return the Agreement back to us. If you have questions, please contact us directly between the hours of [insert hours] at [insert toll free number.]

Sincerely,

[Servicer Name]

DIL Program—Terms and Conditions

Other terms and conditions to the Deed-in-Lieu Agreement (“Agreement”):

1. **Property Maintenance and Expenses.** You are responsible for all property maintenance and expenses of your Property until you convey it to us including utilities, assessments, association dues, and costs for interior and exterior maintenance. Additionally, you must report any and all property damage to us and file a hazard insurance claim for covered damage. Unless insurance proceeds are used to pay for repairs or personal property losses, we may require that they be applied to reduce the mortgage debt.
2. *[Insert only if applicable:]* **Partial Mortgage Payments.** You will be required to make partial mortgage payments of \$ _____ by the first day of each month, beginning on _____ 1, 20____, until title to your house is transferred to us. You are legally obligated to make the full amount of your current monthly mortgage payments. However, we will accept the new partial payment until you have conveyed your Property. The partial mortgage payments do not constitute a modification of your mortgage.
3. **Borrower Relocation Assistance.** If you comply with all your responsibilities under the Agreement, you will be entitled to an incentive payment of \$3,000 to assist with relocation expenses. If there is a formal closing and you have vacated your Property, you will receive your incentive payment at closing. If at the time of closing you have not vacated your Property, we will mail you a check within 5 business days from when you vacate your Property and deliver the keys to us. Similarly, if a formal closing is not conducted, we will mail you a check within 5 business days from the later of when you execute the deed to us or when you vacate your Property and deliver the keys to us. Only one payment per household is provided for the relocation assistance, regardless of the number of borrowers.
4. **Foreclosure Sale Suspension.** We may initiate or continue the foreclosure process as permitted by the mortgage documents; however, we will suspend any foreclosure sale date until the conveyance of your Property has been completed, provided you continue to abide by the terms and conditions of this Agreement.
5. **Satisfaction and Release of Liability.** If all of the terms and conditions of this Agreement are met, upon conveyance of your Property to us by General Warranty deed or the equivalent in the state where your Property is located, we will prepare and record a lien release in full satisfaction of the mortgage, foregoing all rights to pursue a deficiency judgment.
6. *[Insert only if applicable]* **Mortgage Insurer or Guarantor Approval.** The terms and conditions of the Agreement are subject to the written approval of the mortgage insurer or guarantor.
7. **Termination of This Agreement.** We may terminate this Agreement at any time if:
 - a. Your financial situation improves significantly, you qualify for loan modification, you bring the account current or you pay off the mortgage in full.
 - b. You fail to act in good faith with the Agreement.
 - c. A significant change occurs to the property condition or value.
 - d. There is evidence of fraud or misrepresentation.
 - e. You file for bankruptcy and the Bankruptcy Court declines to approve the agreement.
 - f. Litigation is initiated or threatened that could affect title to the property or interfere with a valid conveyance.
 - g. *[insert only if applicable:]* You do not make the payments required under this Agreement.
8. **Settlement of a Debt.** The proposed transaction represents our attempt to reach a settlement of the delinquent mortgage. You are choosing to enter into this Agreement even though there is no guarantee that the transaction will be successful. In the event this transaction is unsuccessful, we may exercise our remedies under the mortgage, including foreclosure.
9. **Possible Income Tax Considerations.** The difference between the remaining amount of principal you owe and the current market value of the property must be reported to the Internal Revenue Service (IRS) on Form 1099-C as debt forgiveness. In some cases, debt forgiveness could be taxed as income. The amount we pay you for moving expenses may also be reported as income. We suggest that you contact the IRS or your tax preparer to determine if you may have any tax liability.
10. **Credit Bureau Reporting.** We will follow standard industry practice and report to the major credit reporting agencies that your mortgage was settled for less than the full payment. We have no control over, or responsibility for the impact of this report on your credit score. To learn more about the

Program Agreement



potential impact of a deed-in-lieu on your credit, you may want to go to <http://www.ftc.gov/bcp/edu/pubs/consumer/credit/cre24.shtm>.

DIL Program—Agreement

By signing this Agreement, you are agreeing to a deed-in-lieu of foreclosure. If you have any questions about the deed-in-lieu of foreclosure, please call us before signing and returning this Agreement.

PLEASE READ THIS AGREEMENT CAREFULLY BEFORE YOU SIGN, BECAUSE IT AFFECTS YOUR LEGAL RIGHTS.

Borrower Acknowledgement of Risks, Conditions and Contingencies. In signing and returning this Deed-in-Lieu Agreement I/we agree to all the stated terms and conditions.

Borrower Signature	Date	Co- Borrower Signature	Date
Printed Name		Printed Name	

If you would like to speak with a counselor about this program, call the Homeowner's HOPE™ Hotline 1-888-995-HOPE (4673). The Homeowner's HOPE™ Hotline offers free HUD-certified counseling services and is available 24/7 in English and Spanish. Other languages are available by appointment.

If you have questions, please contact us directly between the hours of [insert hours] at [insert toll free number.]

Signature of Servicer Representative

Title

Printed Name of Servicer Representative

Date

NOTICE TO BORROWER

Be advised that by signing this document you understand that any documents and information you submit to your servicer in connection with the Making Home Affordable Program are under penalty of perjury. Any misstatement of material fact made in the completion of these documents including but not limited to misstatement regarding your occupancy in your home, hardship circumstances, and/or income, expenses, or assets will subject you to potential criminal investigation and prosecution for the following crimes: perjury, false statements, mail fraud, and wire fraud. The information contained in these documents is subject to examination and verification. Any potential misrepresentation will be referred to the appropriate law enforcement authority for investigation and prosecution. By signing this document you certify, represent and agree that: "Under penalty of perjury, all documents and information I have provided to Lender in connection with the Making Home Affordable Program, including the documents and information regarding my eligibility for the program, are true and correct."

If you are aware of fraud, waste, abuse, mismanagement or misrepresentations affiliated with the Troubled Asset Relief Program, please contact the SIGTARP Hotline by calling 1-877-SIG-2009 (toll-free), 202-622-4559 (fax), or www.sig tarp.gov. Mail can be sent Hotline Office of the Special Inspector General for Troubled Asset Relief Program, 1801 L St. NW, Washington, DC 20220.



Exhibit D – HAFA Data Elements

Ref ID	Short Sale or Deed-in-Lieu Notification or Extension	Cancellation	Loan Set-Up Short Sale	Loan Set-Up Deed-in-Lieu	Logical Data Element	Description	Data Type	Conditional Comments	Allowable Values
KEY IDENTIFIERS									
1	M	M	M	M	HAMP Registration Number	The unique identifier for the servicer participating in the HAMP program. A unique identifier assigned to each Servicer that is participating in the HAMP program.	Numeric(15)		
2	M	M	M	M	HAMP Servicer Number	The unique identifier assigned to the loan by the lender that is servicing the loan for the first lien.	Numeric(9)		
3	M	M	M	M	Servicer Loan Number	The Fannie Mae or Freddie Mac unique Servicer Identifier.	Text(30)	If GSE loan	
4	C	C	C	C	GSE Servicer Number	A unique identifier assigned to each loan by a GSE (Fannie or Freddie).	Text(30)	If GSE loan	
5	C	C	C	C	GSE Loan Number		Text(30)	If GSE loan	
6	M	M	M	M	Investor Code	Owner of the mortgage.	Numeric(4,0)		enumeration: 1 Fannie Mae 2 Freddie Mac 3 Private 4 Portfolio 5 GNMA 6 FHAVA 7 State or Local Housing Finance Agency * indicates Investor Codes currently eligible for HAMP

Ref ID	M=Mandatory; C=Conditional; O=Optional		Cancellation	Loan Set-Up Short Sale	Loan Set-Up Deed-In-Lieu	Logical Data Element	Description	Data Type	Conditional Comments	Allowable Values
	Short Sale or Deed-in-Lieu Notification or Extension	Short Sale								
LOAN LEVEL DATA										
7	C			C		Borrower Last Name	The last name of the Borrower. This is also known as the family name or surname.	Text(100)	If loan is not in HAMP system	
8	C			C		Borrower First Name	First name of the Borrower of record	Text(100)	If loan is not in HAMP system	
9	C			C		Borrower Social Security Number	The social security number of the Borrower	Numeric(9)	If loan is not in HAMP system	
10	C			C		Co-Borrower Last Name	Last name of the Co-borrower of record	Text(100)	If co-borrower on loan and if loan is not in HAMP system	
11	C			C		Co-Borrower First Name	First name of the Co-borrower of record	Text(100)	If co-borrower on loan and if loan is not in HAMP system	
12	O			O		Co-Borrower Social Security Number	The social security number of the Co-borrower	Numeric(9)	If co-borrower on loan and if loan is not in HAMP system and if available	
13	M		M	M		Program Type/Campaign ID	A new program type that will identify campaign types. The unique identifier of a Loan Workout Campaign.	Text(14)		enumeration: HMP3 - Deed-in-Lieu HMP5 - Short Sale
14	M		M	M		Submission Status	Status of loan data being submitted.	Numeric(4,0)		enumeration: 8 Short Sale or Deed-in-Lieu Notification 9 Short Sale Loan Set-up 10 Deed-in-Lieu Loan Set-up 11 Cancellation 12 Correction 13 Short Sale or Deed-in-Lieu Extension

Ref ID	M=Mandatory; C=Conditional; O=Optional				Logical Data Element	Description	Data Type	Conditional Comments	Allowable Values
	Short Sale or Deed-in-Lieu Notification or Extension	Cancellation	Loan Set-Up Short Sale	Loan Set-Up Deed-in-Lieu					
15	C		C	C	Property Street Address	The street address of the subject property.	Text(200)	If loan is not in HAMP system	
16	C		C	C	Property City	The name of the city where the subject property is located.	Text(100)	If loan is not in HAMP system	
17	C		C	C	Property State	The 2-character postal abbreviation of the state, province, or region of the subject property.	Text(2)	If loan is not in HAMP system	enumeration: WY,WV,WI,WI,VA,VT,VI,VA,UT,TX,TN,SD,SC, RI,PR,PA,OR,OK,OH,NY,NV,NM,NJ,NH,NE, ND,NC,MT,MS,MO,MN,MI,ME,MD,MA,LA,KY, KS,IN,IL,IA,HI,GU,GA,FL,DE,DC,CT,CO, CA,AZ,AR,AL,AK
18	C		C	C	Property Zip Code	The code designated by the postal service to direct the delivery of physical mail or which corresponds to a physical location. In the USA, this can take either a 5 digit form (ZIP Code) or a 9-digit form (ZIP + 4).	Text(9)	If loan is not in HAMP system	
19	C		C	C	Date of Original Note	The date the mortgage note was signed.	Date(CYY-MM-DD)	If loan did not enter a HAMP trial.	
20	C		C	C	Front Ratio Before Modification	The front-end DTI (principal, interest, taxes, insurance and association dues (PITIA)) housing ratio as of the HAMP modification evaluation.	Numeric(4,2)	If loan did not enter a HAMP trial.	

Ref ID	M=Mandatory, C=Conditional, O=Optional		Cancellation	Loan Set-Up Short Sale	Loan Set-Up Deed-in-Lieu	Logical Data Element	Description	Data Type	Conditional Comments	Allowable Values
	Short Sale or Deed-in-Lieu Notification or Extension									
21	C		C		C	Property Usage Type Code	A code identifying the use by the borrower of the property.	Numeric(4,0)	If loan did not enter a HAMP trial.	enumeration: 1 Principal Residence 2 Second or Vacation Home 3 Investment Property
22	C		C		C	Loan Status Type Code	A code specifying whether the loan is in default, imminent default or current status as of the HAMP modification evaluation.	Numeric(4,0)	If loan did not enter a HAMP trial.	enumeration: 1 Default 2 Imminent Default 3 Current
23	M		M		M	Borrower Execution Date	This is the date that the borrower signed the Short Sale Agreement or Deed-in-Lieu Agreement.	Date(CCY-MM-DD)		
24	M		M		M	Agreement Issue Date	This is the date that the Short Sale Agreement or the Deed-in-Lieu Agreement was issued.	Date(CCY-MM-DD)		
25	M		M		M	Agreement Expiration Date	The expiration date of the Short Sale Agreement or Deed-in-Lieu Agreement.	Date(CCY-MM-DD)		enumeration: 1 Does not qualify for a Trial Period Plan 2 Does not successfully complete a Trial Period Plan 3 Is delinquent on a HAMP modification by missing at least two consecutive payments 4 Requests a Short Sale or Deed-in-Lieu
26	M		M		M	Short Sale or Deed-in-lieu Reason Code	A field identifying the reason for the borrower entering into a Short Sale or Deed-in-Lieu transaction.	Numeric(4,0)		

Ref ID	Short Sale or Deed-in-Lieu Notification or Extension	Cancellation	Loan Set-Up Short Sale	Loan Set-Up Deed-In-Lieu	Logical Data Element	Description	Data Type	Conditional Comments	Allowable Values
27	C		C	C	Short Sale or Deed-in-Lieu Reason Date	For loans that do not qualify for a HAMP trial modification or the borrower declines a modification, this is the date that a trial modification was not offered to the borrower or was not accepted by the borrower. For a borrower who did not successfully complete a trial plan, this is the trial fall out date.	Date(CCY-MM-DD)	If Short Sale or Deed-in-Lieu Reason code is 1, 2 or 4	
28	M		M		Property List Price	At notification this is the original list price of the property. At extension or correction, it is the latest list price of the property as of the extension or up, it is the ending list price of the property as of the Transaction Closing Date.	Currency(20, 2)		
29	M		M	M	Property Vacancy Date	The Short Sale Agreement or Deed-in-Lieu Agreement will state the date by which the property must be vacated, which in no event will be less than 30 calendar days from expiration day of the Short Sale Agreement (or any extension thereof) or the date of a separate Deed-in-Lieu Agreement.	Date(CCY-MM-DD)		

Rel ID	M=Mandatory; C=Conditional; O=Optional	Short Sale or Deed-In-Lieu Notification or Extension	Loan Set-Up Short Sale	Loan Set-Up Deed-In-Lieu	Logical Data Element	Description	Data Type	Conditional Comments	Allowable Values
30	M		M		Minimum Net Return to Investor Amount	The minimum net return is the minimum acceptable net proceeds that the investor will accept from the transaction. The minimum net return must be reported as a dollar amount. For loans with mortgage insurance coverage, this attribute indicates whether the mortgage insurers provided delegations of authority to execute a Short Sale or Deed-In-Lieu in accordance with the foreclosure alternative guidelines and waives any right to collect additional sums from the borrower.	Currency(20, 2)		
31			C	C	Mortgage Insurance Waiver Approval Indicator	The unpaid principal balance of a loan as of the time of the Short Sale or Deed-In-Lieu transaction.	Boolean	If mortgage insurance is on the loan	True/False
32			M	M	Unpaid Principal Balance Amount	The sale or transfer price of the property.	Currency(20, 2)		
33			M	M	Property Sale or Transaction Amount		Currency(20, 2)		

Ref ID	M=Mandatory; C=Conditional; O=Optional	Short Sale or Deed-in-Lieu Notification or Extension	Cancellation	Loan Set-Up Short Sale	Loan Set-Up Deed-in-Lieu	Logical Data Element	Description	Data Type	Conditional Comments	Allowable Values
34				M		Total Allowable Costs	The total allowable costs associated with selling the property that can be deducted from the gross sale price at closing. Allowable costs may include subordinate lien release amount, borrower relocation assistance, sales commission, closing costs for taxes, title, attorney fees and other miscellaneous expenses. The closing costs and real estate commissions should be reasonable and customary based on the community in which the property is located.	Currency(20, 2)		
35				M	M	Transaction Closing Date	The date on which the Short Sale or Deed in Lieu transaction is closed.	Date(CCY-MM-DD)		
36				C	C	Subordinate Lien Release Reimbursement Amount	The total amount of reimbursement paid by the servicer to subordinate lien holder(s) to secure release of subordinate lien. This amount may not exceed \$3,000.	Currency(20, 2)	If subordinate lien release reimbursement is applicable	

Ref ID	M= Mandatory, C= Conditional, O= Optional	Short Sale, or Dead-in-Lieu Notification or Extension	Loan Set-Up Short Sale	Loan Set-Up Dead-in-Lieu	Logical Data Element	Description	Data Type	Conditional Comments	Allowable Values
37		Cancellation			Short Sale or Dead-in-Lieu Cancellation Reason Code	A field indicating the reason why a Short Sale or Dead-in-Lieu transaction was cancelled.	Numeric(4,0)		enumeration: 1 Agreement Expiration 2 Agreement Termination 3 Notification Cancellation 4 Loan Set up Cancellation

Microsoft Outlook

From: Cordray, Richard (CFPB)
Sent: Saturday, February 26, 2011 6:49 PM
To: 'Madigan, Patrick [AG]'
Subject: Servicer Issues

Any chance we could talk tomorrow (Sun) -- anytime -- my cell is [REDACTED], if you miss me let me know how to get back with you

Had some things to tell you when you get a chance

Rich

Microsoft Outlook

From: Cordray, Richard (CFPB)
Sent: Saturday, February 26, 2011 6:49 PM
To: 'Hagan, Deborah'
Subject: Servicer Issues

Any chance we could talk tomorrow (Sun) -- anytime -- my cell is [REDACTED], if you miss me let me know how to get back with you

Had some things to tell you when you get a chance

Rich

Microsoft Outlook

From: Hagan, Deborah [DHagan@atg.state.il.us]
Sent: Saturday, February 26, 2011 8:48 PM
To: Cordray, Richard (CFPB)
Subject: Re: Servicer Issues

Rich
I could talk at about Noon Central.

Sent from my BlackBerry Wireless Handheld

----- Original Message -----
From: Richard.Cordray@treasury.gov <Richard.Cordray@treasury.gov>
To: Hagan, Deborah
Sent: Sat Feb 26 17:49:04 2011
Subject: Servicer Issues

Any chance we could talk tomorrow (Sun) -- anytime -- my cell is [REDACTED], if you miss me let me know how to get back with you

Had some things to tell you when you get a chance

Rich

Microsoft Outlook

From: Hagan, Deborah [DHagan@atg.state.il.us]
Sent: Sunday, February 27, 2011 1:06 PM
To: Cordray, Richard (CFPB)
Subject: Re: Servicer Issues

Rich

Is this a good time for you to talk? I know you are going back and forth from Ohio to DC and I don't want to interfere with family time.

Sent from my BlackBerry Wireless Handheld

----- Original Message -----

From: Richard.Cordray@treasury.gov <Richard.Cordray@treasury.gov>
To: Hagan, Deborah
Sent: Sat Feb 26 17:49:04 2011
Subject: Servicer Issues

Any chance we could talk tomorrow (Sun) -- anytime -- my cell is [REDACTED], if you miss me let me know how to get back with you

Had some things to tell you when you get a chance

Rich

Microsoft Outlook

From: Cordray, Richard (CFPB)
Sent: Sunday, February 27, 2011 5:43 PM
To: 'DHagan@atg.state.il.us'
Subject: Re: Servicer Issues

Would 530 ur time work? U call me

----- Original Message -----

From: Hagan, Deborah <DHagan@atg.state.il.us>
To: Cordray, Richard (CFPB)
Sent: Sun Feb 27 13:05:56 2011
Subject: Re: Servicer Issues

Rich

Is this a good time for you to talk? I know you are going back and forth from Ohio to DC and I don't want to interfere with family time.

Sent from my BlackBerry Wireless Handheld

----- Original Message -----

From: Richard.Cordray@treasury.gov <Richard.Cordray@treasury.gov>
To: Hagan, Deborah
Sent: Sat Feb 26 17:49:04 2011
Subject: Servicer Issues

Any chance we could talk tomorrow (Sun) -- anytime -- my cell is [REDACTED], if you miss me let me know how to get back with you

Had some things to tell you when you get a chance

Rich

Microsoft Outlook

From: Hagan, Deborah [DHagan@atg.state.il.us]
Sent: Sunday, February 27, 2011 5:48 PM
To: Cordray, Richard (CFPB)
Subject: Re: Servicer Issues

Yes

Sent from my BlackBerry Wireless Handheld

----- Original Message -----

From: Richard.Cordray@treasury.gov <Richard.Cordray@treasury.gov>
To: Hagan, Deborah
Sent: Sun Feb 27 16:43:26 2011
Subject: Re: Servicer Issues

Would 530 ur time work? U call me

----- Original Message -----

From: Hagan, Deborah <DHagan@atg.state.il.us>
To: Cordray, Richard (CFPB)
Sent: Sun Feb 27 13:05:56 2011
Subject: Re: Servicer Issues

Rich

Is this a good time for you to talk? I know you are going back and forth from Ohio to DC and I don't want to interfere with family time.

Sent from my BlackBerry Wireless Handheld

----- Original Message -----

From: Richard.Cordray@treasury.gov <Richard.Cordray@treasury.gov>
To: Hagan, Deborah
Sent: Sat Feb 26 17:49:04 2011
Subject: Servicer Issues

Any chance we could talk tomorrow (Sun) -- anytime -- my cell is [REDACTED], if you miss me let me know how to get back with you

Had some things to tell you when you get a chance

Rich

Microsoft Outlook

From: Madigan, Patrick [AG] [Patrick.Madigan@iowa.gov]
Sent: Monday, February 28, 2011 10:25 AM
To: Cordray, Richard (CFPB)
Subject: RE: Servicer Issues

Hi Rich,

My home internet is temporarily down and I did not pick up this message until now. Sorry about that. I should be available today if you are.

Patrick

-----Original Message-----

From: Richard.Cordray@treasury.gov [mailto:Richard.Cordray@treasury.gov]

Sent: Saturday, February 26, 2011 5:49 PM

To: Madigan, Patrick [AG]

Subject: Servicer Issues

Any chance we could talk tomorrow (Sun) -- anytime -- my cell is [REDACTED], if you miss me let me know how to get back with you

Had some things to tell you when you get a chance

Rich

Microsoft Outlook

From: Cordray, Richard (CFPB)
Sent: Monday, February 28, 2011 2:14 PM
To: 'Madigan, Patrick [AG]'
Subject: RE: Servicer Issues

Patrick, I am generally available after 3:15 your time

Rich

-----Original Message-----

From: Madigan, Patrick [AG] [mailto:Patrick.Madigan@iowa.gov]
Sent: Monday, February 28, 2011 10:25 AM
To: Cordray, Richard (CFPB)
Subject: RE: Servicer Issues

Hi Rich,

My home internet is temporarily down and I did not pick up this message until now. Sorry about that. I should be available today if you are.

Patrick

-----Original Message-----

From: Richard.Cordray@treasury.gov [mailto:Richard.Cordray@treasury.gov]
Sent: Saturday, February 26, 2011 5:49 PM
To: Madigan, Patrick [AG]
Subject: Servicer Issues

Any chance we could talk tomorrow (Sun) -- anytime -- my cell is [REDACTED], if you miss me let me know how to get back with you

Had some things to tell you when you get a chance

Rich

Microsoft Outlook

From: Madigan, Patrick [AG] [Patrick.Madigan@iowa.gov]
Sent: Monday, February 28, 2011 3:07 PM
To: Cordray, Richard (CFPB)
Subject: RE: Servicer Issues

I will call you then.

-----Original Message-----

From: Richard.Cordray@treasury.gov [mailto:Richard.Cordray@treasury.gov]

Sent: Monday, February 28, 2011 1:14 PM
To: Madigan, Patrick [AG]
Subject: RE: Servicer Issues

Patrick, I am generally available after 3:15 your time

Rich

-----Original Message-----

From: Madigan, Patrick [AG] [mailto:Patrick.Madigan@iowa.gov]
Sent: Monday, February 28, 2011 10:25 AM
To: Cordray, Richard (CFPB)
Subject: RE: Servicer Issues

Hi Rich,

My home internet is temporarily down and I did not pick up this message until now. Sorry about that. I should be available today if you are.

Patrick

-----Original Message-----

From: Richard.Cordray@treasury.gov [mailto:Richard.Cordray@treasury.gov]

Sent: Saturday, February 26, 2011 5:49 PM
To: Madigan, Patrick [AG]
Subject: Servicer Issues

Any chance we could talk tomorrow (Sun) -- anytime -- my cell is 614.323.7037, if you miss me let me know how to get back with you

Had some things to tell you when you get a chance

Rich

Microsoft Outlook

From: Matt Rodriquez [Matt.Rodriquez@doj.ca.gov]
Sent: Thursday, March 03, 2011 9:16 PM
To: Cordray, Richard (CFPB)
Cc: Benjamin Diehl; Michael Troncoso
Subject: Tomorrow

Would you be available to talk to Michael Troncoso, Ben Diehl and me at 4:30 et tomorrow (3/4)? We could call you at your office.

CONFIDENTIALITY NOTICE: This communication with its contents may contain confidential and/or legally privileged information. It is solely for the use of the intended recipient(s). Unauthorized interception, review, use or disclosure is prohibited and may violate applicable laws including the Electronic Communications Privacy Act. If you are not the intended recipient, please contact the sender and destroy all copies of the communication.

Microsoft Outlook

From: Cordray, Richard (CFPB)
Sent: Thursday, March 03, 2011 9:19 PM
To: 'Matt.Rodriguez@doj.ca.gov'
Subject: Re: Tomorrow

Great thx

----- Original Message -----

From: Matt Rodriguez <Matt.Rodriguez@doj.ca.gov>
To: Cordray, Richard (CFPB)
Cc: Benjamin Diehl <Benjamin.Diehl@doj.ca.gov>; Michael Troncoso <Michael.Troncoso@doj.ca.gov>
Sent: Thu Mar 03 21:15:38 2011
Subject: Tomorrow

Would you be available to talk to Michael Troncoso, Ben Diehl and me at 4:30 et tomorrow (3/4)? We could call you at your office.

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Microsoft Outlook

From: Cordray, Richard (CFPB)
Sent: Friday, March 04, 2011 9:45 AM
To: 'Matt Rodriguez'
Cc: Benjamin Diehl; Michael Troncoso
Subject: RE: Tomorrow

Best number at that time will be [REDACTED] Look forward to talking with you then Rich

-----Original Message-----

From: Matt Rodriguez [mailto:Matt.Rodriguez@doj.ca.gov]
Sent: Thursday, March 03, 2011 9:16 PM
To: Cordray, Richard (CFPB)
Cc: Benjamin Diehl; Michael Troncoso
Subject: Tomorrow

Would you be available to talk to Michael Troncoso, Ben Diehl and me at 4:30 et tomorrow (3/4)? We could call you at your office.

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Microsoft Outlook

From: Matt Rodriguez [Matt.Rodriguez@doj.ca.gov]
Sent: Friday, March 04, 2011 12:30 PM
To: Cordray, Richard (CFPB)
Cc: Benjamin Diehl; Michael Troncoso
Subject: RE: Tomorrow

Great, we will give you a call.

>>> <Richard.Cordray@treasury.gov> 3/4/2011 6:45 AM >>>
Best number at that time will be [REDACTED] Look forward to talking with you then Rich

-----Original Message-----
From: Matt Rodriguez [mailto:Matt.Rodriguez@doj.ca.gov]
Sent: Thursday, March 03, 2011 9:16 PM
To: Cordray, Richard (CFPB)
Cc: Benjamin Diehl; Michael Troncoso
Subject: Tomorrow

Would you be available to talk to Michael Troncoso, Ben Diehl and me at 4:30 et tomorrow (3/4)? We could call you at your office.

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Microsoft Outlook

From: Cordray, Richard (CFPB)
Sent: Sunday, March 06, 2011 9:03 PM
To: 'Matt Rodriguez'; McCoy, Patricia (CFPB)
Cc: Benjamin Diehl; Michael Troncoso
Subject: RE: Tomorrow

Gentlemen: by this email, I am putting you directly in contact with Pat McCoy, who is heading our Mortgage area of Markets & Research and knows as much about the available statistics and figures as anyone around

Pat and I talked earlier today about your desire to get a better sense, if possible, of the potential impact on California of the settlement proposals under consideration

Pat's office number, also, is [REDACTED] And call me anytime as we go

thanks
Rich

-----Original Message-----

From: Matt Rodriguez [mailto:Matt.Rodriguez@doj.ca.gov]
Sent: Thursday, March 03, 2011 9:16 PM
To: Cordray, Richard (CFPB)
Cc: Benjamin Diehl; Michael Troncoso
Subject: Tomorrow

Would you be available to talk to Michael Troncoso, Ben Diehl and me at 4:30 et tomorrow (3/4)? We could call you at your office.

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Microsoft Outlook

From: McCoy, Patricia (CFPB)
Sent: Sunday, March 06, 2011 9:55 PM
To: Cordray, Richard (CFPB); 'Matt Rodriguez'
Cc: Benjamin Diehl; Michael Troncoso
Subject: RE: Tomorrow

Hello everyone,

If you have time for a phone call tomorrow (Monday), I would be free to talk after 2:30 your time (5:30 my time). All my best,

Pat McCoy

From: Cordray, Richard (CFPB)
Sent: Sunday, March 06, 2011 9:03 PM
To: 'Matt Rodriguez'; McCoy, Patricia (CFPB)
Cc: Benjamin Diehl; Michael Troncoso
Subject: RE: Tomorrow

Gentlemen: by this email, I am putting you directly in contact with Pat McCoy, who is heading our Mortgage area of Markets & Research and knows as much about the available statistics and figures as anyone around

Pat and I talked earlier today about your desire to get a better sense, if possible, of the potential impact on California of the settlement proposals under consideration

Pat's office number, also, is [REDACTED] And call me anytime as we go

thanks
Rich

-----Original Message-----
From: Matt Rodriguez [mailto:Matt.Rodriguez@doj.ca.gov]
Sent: Thursday, March 03, 2011 9:16 PM
To: Cordray, Richard (CFPB)
Cc: Benjamin Diehl; Michael Troncoso
Subject: Tomorrow

Would you be available to talk to Michael Troncoso, Ben Diehl and me at 4:30 et tomorrow (3/4)? We could call you at your office.

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Microsoft Outlook

From: Matt Rodriquez [Matt.Rodriquez@doj.ca.gov]
Sent: Monday, March 07, 2011 12:00 AM
To: McCoy, Patricia (CFPB); Cordray, Richard (CFPB)
Cc: Benjamin Diehl; Michael Troncoso
Subject: RE: Tomorrow

I will check with Ben, but let's assume we can make this work unless you hear otherwise from us. Mike Troncoso will be in Washington for the NAAG conference, but Ben and I should be available. Thanks to you and Richard for your time, patience and cooperation. I'll look forward tp talking to you tomorrow.

>>> <Patricia.McCoy@treasury.gov> 03/06/11 6:56 PM >>>
Hello everyone,

If you have time for a call tomorrow (Monday), I would be free to talk after 2:30 your time (5:30 my time). All my best,

Pat McCoy

From: Cordray, Richard (CFPB)
Sent: Sunday, March 06, 2011 9:03 PM
To: 'Matt Rodriquez'; McCoy, Patricia (CFPB)
Cc: Benjamin Diehl; Michael Troncoso
Subject: RE: Tomorrow

Gentlemen: by this email, I am putting you directly in contact with Pat McCoy, who is heading our Mortgage area of Markets & Research and knows as much about the available statistics and figures as anyone around

Pat and I talked earlier today about your desire to get a better sense, if possible, of the potential impact on California of the settlement proposals under consideration

Pat's office number, also, is [REDACTED] And call me anytime as we go

thanks
Rich

-----Original Message-----

From: Matt Rodriquez [mailto:Matt.Rodriquez@doj.ca.gov]
Sent: Thursday, March 03, 2011 9:16 PM
To: Cordray, Richard (CFPB)
Cc: Benjamin Diehl; Michael Troncoso
Subject: Tomorrow

Would you be available to talk to Michael Troncoso, Ben Diehl and me at 4:30 et tomorrow (3/4)? We could call you at your office.

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Microsoft Outlook

From: McCoy, Patricia (CFPB)
Sent: Monday, March 07, 2011 8:59 AM
To: Matt Rodriguez; Cordray, Richard (CFPB)
Cc: Benjamin Diehl; Michael Troncoso
Subject: RE: Tomorrow

Thank you -- I'll stay posted.

Pat

-----Original Message-----

From: Matt Rodriguez [mailto:Matt.Rodriguez@doj.ca.gov]
Sent: Monday, March 07, 2011 12:00 AM
To: McCoy, Patricia (CFPB); Cordray, Richard (CFPB)
Cc: Benjamin Diehl; Michael Troncoso
Subject: RE: Tomorrow

I will check with Ben, but let's assume we can make this work unless you hear otherwise from us. Mike Troncoso will be in Washington for the NAAG conference, but Ben and I should be available. Thanks to you and Richard for your time, patience and cooperation. I'll look forward to talking to you tomorrow.

>>> <Patricia.McCoy@treasury.gov> 03/06/11 6:56 PM >>>
Hello everyone,

If you have time for a call tomorrow (Monday), I would be free to talk after 2:30 your time (5:30 my time). All my best,

Pat McCoy

From: Cordray, Richard (CFPB)
Sent: Sunday, March 06, 2011 9:03 PM
To: 'Matt Rodriguez'; McCoy, Patricia (CFPB)
Cc: Benjamin Diehl; Michael Troncoso
Subject: RE: Tomorrow

Gentlemen: by this email, I am putting you directly in contact with Pat McCoy, who is heading our Mortgage area of Markets & Research and knows as much about the available statistics and figures as anyone around

Pat and I talked earlier today about your desire to get a better sense, if possible, of the potential impact on California of the settlement proposals under consideration

Pat's office number, also, is [REDACTED] And call me anytime as we go

thanks
Rich

-----Original Message-----

From: Matt Rodriguez [mailto:Matt.Rodriguez@doj.ca.gov]
Sent: Thursday, March 03, 2011 9:16 PM
To: Cordray, Richard (CFPB)
Cc: Benjamin Diehl; Michael Troncoso
Subject: Tomorrow

Would you be available to talk to Michael Troncoso, Ben Diehl and me at 4:30 et tomorrow (3/4)? We could call you at your office.

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Microsoft Outlook

From: Benjamin Diehl [Benjamin.Diehl@doj.ca.gov]
Sent: Monday, March 07, 2011 12:01 PM
To: Matt Rodriguez; McCoy, Patricia (CFPB); Cordray, Richard (CFPB)
Cc: Michael Troncoso
Subject: RE: Tomorrow

That is fine for me.

>>> Matt Rodriguez 3/6/2011 8:59 PM >>>

I will check with Ben, but let's assume we can make this work unless you hear otherwise from us. Mike Troncoso will be in Washington for the NAAG conference, but Ben and I should be available. Thanks to you and Richard for your time, patience and cooperation. I'll look forward to talking to you tomorrow.

>>> <Patricia.McCoy@treasury.gov> 03/06/11 6:56 PM >>>

Hello everyone,

If you have time for a call tomorrow (Monday), I would be free to talk after 2:30 your time (5:30 my time). All my best,

Pat McCoy

From: Cordray, Richard (CFPB)
Sent: Sunday, March 06, 2011 9:03 PM
To: 'Matt Rodriguez'; McCoy, Patricia (CFPB)
Cc: Benjamin Diehl; Michael Troncoso
Subject: RE: Tomorrow

Gentlemen: by this email, I am putting you directly in contact with Pat McCoy, who is heading our Mortgage area of Markets & Research and knows as much about the available statistics and figures as anyone around

Pat and I talked earlier today about your desire to get a better sense, if possible, of the potential impact on California of the settlement proposals under consideration

Pat's office number, also, is [REDACTED] And call me anytime as we go

thanks
Rich

-----Original Message-----

From: Matt Rodriguez [mailto:Matt.Rodriguez@doj.ca.gov]
Sent: Thursday, March 03, 2011 9:16 PM
To: Cordray, Richard (CFPB)
Cc: Benjamin Diehl; Michael Troncoso
Subject: Tomorrow

Would you be available to talk to Michael Troncoso, Ben Diehl and me at 4:30 et tomorrow (3/4)? We could call you at your office.

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violate applicable laws including the Electronic Communications Privacy Act. If you are not the intended recipient, please contact the sender and destroy all copies of the communication.

Microsoft Outlook

From: Michael Troncoso [Michael.Troncoso@doj.ca.gov]
Sent: Monday, March 07, 2011 12:02 PM
To: Matt Rodriguez; McCoy, Patricia (CFPB); Cordray, Richard (CFPB)
Subject: Re: Tomorrow

Hi, Rich and Pat:

AG Harris is planning to join AG Schneiderman in his meeting with Ms. Warren today at 2:30pm, if your team and Ms. Warren are agreeable.

Is there an address that's best?

Mike

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Microsoft Outlook

From: McCoy, Patricia (CFPB)
Sent: Monday, March 07, 2011 12:04 PM
To: Michael Troncoso
Subject: RE: Tomorrow

Great! It's 1801 L Street, N.W., Washington, DC.

Pat

-----Original Message-----

From: Michael Troncoso [mailto:Michael.Troncoso@doj.ca.gov]
Sent: Monday, March 07, 2011 12:02 PM
To: Matt Rodriguez; McCoy, Patricia (CFPB); Cordray, Richard (CFPB)
Subject: Re: Tomorrow

Hi, Rich and Pat:

AG Harris is planning to join AG Schneiderman in his meeting with Ms. Warren today at 2:30pm, if your team and Ms. Warren are agreeable.

Is there an address that's best?

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Microsoft Outlook

From: Cordray, Richard (CFPB)
Sent: Monday, March 07, 2011 12:32 PM
To: 'Michael Troncoso'; Matt Rodriguez; McCoy, Patricia (CFPB)
Cc: Martin, Alyssa (CFPB)
Subject: RE: Tomorrow

We are very agreeable, and we are located at 1801 L Street N.W., just a block or so west of Connecticut and a couple blocks south of DuPont Circle I am copying Alyssa Martin, Elizabeth's executive assistant, who is aware of the change

Rich

-----Original Message-----

From: Michael Troncoso [mailto:Michael.Troncoso@doj.ca.gov]
Sent: Monday, March 07, 2011 12:02 PM
To: Matt Rodriguez; McCoy, Patricia (CFPB); Cordray, Richard (CFPB)
Subject: Re: Tomorrow

Hi, Rich and Pat:

AG Harris is planning to join AG Schneiderman in his meeting with Ms. Warren today at 2:30pm, if your team and Ms. Warren are agreeable.

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Microsoft Outlook

From: Michael Troncoso [Michael.Troncoso@doj.ca.gov]
Sent: Monday, March 07, 2011 12:33 PM
To: Cordray, Richard (CFPB)
Subject: RE: Tomorrow (Out of Office)

I am out of the office and have limited email and phone access until Monday, March 14. During that time, if you need assistance, please contact Ann Patterson at [REDACTED] or via email at ann.patterson@doj.ca.gov.

Thank you.

Michael Troncoso
>>> Richard.Cordray 03/07/11 09:32 >>>

We are very agreeable, and we are located at 1801 L Street N.W., just a block or so west of Connecticut and a couple blocks south of DuPont Circle. I am copying Alyssa Martin, Elizabeth's executive assistant, who is aware of the change

Rich

-----Original Message-----

From: Michael Troncoso [mailto:Michael.Troncoso@doj.ca.gov]
Sent: Monday, March 07, 2011 12:02 PM
To: Matt Rodriguez; McCoy, Patricia (CFPB); Cordray, Richard (CFPB)
Subject: Re: Tomorrow

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Microsoft Outlook

From: Martin, Alyssa (CFPB)
Sent: Monday, March 07, 2011 12:35 PM
To: Cordray, Richard (CFPB); 'Michael Troncoso'; Matt Rodriguez; McCoy, Patricia (CFPB)
Subject: RE: Tomorrow

Thank you. When the Attorneys General arrive, they should tell security that they're here to see Prof. Warren, and security will arrange for someone to escort them to her office.

Just to clarify -- the meeting is set for 2:45pm in Prof. Warren's office. Please let me know if you have any other questions (my contact info is below just in case).

Best,
Alyssa

Alyssa Martin
Special Assistant to Elizabeth Warren
Consumer Financial Protection Bureau Implementation Team
Email: Alyssa.Martin@do.treas.gov
Office: [REDACTED]
Cell: [REDACTED]

-----Original Message-----

From: Cordray, Richard (CFPB)
Sent: Monday, March 07, 2011 12:32 PM
To: 'Michael Troncoso'; Matt Rodriguez; McCoy, Patricia (CFPB)
Cc: Martin, Alyssa (CFPB)
Subject: RE: Tomorrow

We are very agreeable, and we are located at 1801 L Street N.W., just a block or so west of Connecticut and a couple blocks south of DuPont Circle. I am copying Alyssa Martin, Elizabeth's executive assistant, who is aware of the change

Rich

-----Original Message-----

From: Michael Troncoso [mailto:Michael.Troncoso@doj.ca.gov]
Sent: Monday, March 07, 2011 12:02 PM
To: Matt Rodriguez; McCoy, Patricia (CFPB); Cordray, Richard (CFPB)
Subject: Re: Tomorrow

Hi, Rich and Pat:

AG Harris is planning to join AG Schneiderman in his meeting with Ms. Warren today at 2:30pm, if your team and Ms. Warren are agreeable.

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Microsoft Outlook

From: Michael Troncoso [Michael.Troncoso@doj.ca.gov]
Sent: Monday, March 07, 2011 12:49 PM
To: Matt Rodriguez; Martin, Alyssa (CFPB); McCoy, Patricia (CFPB); Cordray, Richard (CFPB)
Subject: Re: Tomorrow

Great, thanks so much. We will need to leave after 30 mins to make a meeting at 330, apologies.

This e-mail was sent from a California Department of Justice BlackBerry Device.

-----Original Message-----

From: <Alyssa.Martin@treasury.gov>
To: Matt Rodriguez <Matt.Rodriguez@doj.ca.gov>
To: Michael Troncoso <Michael.Troncoso@doj.ca.gov>
To: <Patricia.McCoy@treasury.gov>
To: <Richard.Cordray@treasury.gov>

Sent: 3/7/2011 9:35:17 AM

Subject: RE: Tomorrow

Thank you. When the Attorneys General arrive, they should tell security that they're here to see Prof. Warren, and security will arrange for someone to escort them to her office.

Just to clarify -- the meeting is set for 2:45pm in Prof. Warren's office. Please let me know if you have any other questions (my contact info is below just in case).

Best,
Alyssa

Alyssa Martin
Special Assistant to Elizabeth Warren
Consumer Financial Protection Bureau Implementation Team
Email: Alyssa.Martin@do.treas.gov
Office: [REDACTED]
Cell: [REDACTED]

-----Original Message-----

From: Cordray, Richard (CFPB)
Sent: Monday, March 07, 2011 12:32 PM
To: 'Michael Troncoso'; Matt Rodriguez; McCoy, Patricia (CFPB)
Cc: Martin, Alyssa (CFPB)
Subject: RE: Tomorrow

We are very agreeable, and we are located at 1801 L Street N.W., just a block or so west of Connecticut and a couple blocks south of DuPont Circle I am copying Alyssa Martin, Elizabeth's executive assistant, who is aware of the change

Rich

-----Original Message-----

From: Michael Troncoso [mailto:Michael.Troncoso@doj.ca.gov]
Sent: Monday, March 07, 2011 12:02 PM
To: Matt Rodriguez; McCoy, Patricia (CFPB); Cordray, Richard (CFPB)
Subject: Re: Tomorrow

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Microsoft Outlook

From: Date, Rajeev (CFPB)
Sent: Friday, February 11, 2011 4:26 PM
To: stephanie.b.mudick@jpmchase.com
Subject: feb 28th re servicing

Stephanie,

I think you had mentioned Feb 28th might work to connect regarding mortgage servicing.

Does that still work?

R.D.

Raj Date
raj.date@do.treas.gov
[REDACTED] (office)

Microsoft Outlook

From: Date, Rajeev (CFPB)
Sent: Saturday, February 12, 2011 10:13 AM
To: Mudick, Stephanie B
Subject: RE: feb 28th re servicing

I'd prefer NYC on the 28th. Say 10a?

R.D.

Raj Date
raj.date@do.treas.gov
[REDACTED] (office)

From: Mudick, Stephanie B [stephanie.b.mudick@jpmchase.com]
Sent: Friday, February 11, 2011 5:18 PM
To: Date, Rajeev (CFPB)
Cc: Schneider, David C; Cooney, Dan; Bannister, Penelope J
Subject: RE: feb 28th re servicing

Raj - the 28th works. Would you prefer to do it in NY or DC?

Stephanie

-----Original Message-----

From: Rajeev.Date@treasury.gov [mailto:Rajeev.Date@treasury.gov]
Sent: Friday, February 11, 2011 4:26 PM
To: Mudick, Stephanie B
Subject: feb 28th re servicing

Stephanie,

I think you had mentioned Feb 28th might work to connect regarding mortgage servicing.

Does that still work?

R.D.

Raj Date
raj.date@do.treas.gov
[REDACTED] (office)

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Microsoft Outlook

From: Date, Rajeev (CFPB)
Sent: Monday, February 14, 2011 4:37 PM
To: Mudick, Stephanie B
Cc: Schneider, David C; Cooney, Dan; Bannister, Penelope J
Subject: RE: feb 28th re servicing

I think so, yes.

Raj Date
raj.date@do.treas.gov
[REDACTED] (office)

From: Mudick, Stephanie B [stephanie.b.mudick@jpmchase.com]
Sent: Monday, February 14, 2011 4:34 PM
To: Mudick, Stephanie B; Date, Rajeev (CFPB)
Cc: Schneider, David C; Cooney, Dan; Bannister, Penelope J
Subject: RE: feb 28th re servicing

Raj - is it possible to do at 1030, as Dan is flying in from Chicago first thing in the am?

-----Original Message-----
From: Mudick, Stephanie B
Sent: Friday, February 11, 2011 5:19 PM
To: 'Rajeev.Date@treasury.gov'
Cc: Schneider, David C; Cooney, Dan; Bannister, Penelope J
Subject: RE: feb 28th re servicing

Raj - the 28th works. Would you prefer to do it in NY or DC?

Stephanie

-----Original Message-----
From: Rajeev.Date@treasury.gov [mailto:Rajeev.Date@treasury.gov]
Sent: Friday, February 11, 2011 4:26 PM
To: Mudick, Stephanie B
Subject: feb 28th re servicing

Stephanie,

I think you had mentioned Feb 28th might work to connect regarding mortgage servicing.

Does that still work?

R.D.

Raj Date
raj.date@do.treas.gov
[REDACTED] (office)

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Microsoft Outlook

From: Date, Rajeev (CFPB)
Sent: Thursday, February 24, 2011 11:31 AM
To: stephanie.b.mudick@jpmchase.com
Subject: monday agenda

Stephanie,

I'm looking forward to Monday.

Just to be clear, though, I'm thinking of the meeting as taking Charlie Scharf up on his offer to learn more about the servicing business, its economics, operational constraints, and your thoughts on servicing standards.

Given persistent rumors and headlines, I do not want this meeting to be construed as relating to any potential settlement discussions or regulatory enforcement actions. And I think the meeting really has to be off the record.

Does that sound right to you? If the timing is awkward given anything else in motion, just let me know and we can postpone.

R.D.

Raj Date
Associate Director -- Research, Markets & Regulations
Consumer Financial Protection Bureau
raj.date@do.treas.gov


Microsoft Outlook

From: Mudick, Stephanie B [stephanie.b.mudick@jpmchase.com]
Sent: Thursday, February 24, 2011 12:58 PM
To: Date, Rajeev (CFPB)
Subject: RE: monday agenda

Raj - thanks for the note. Just left message for you at office - call at your convenience and we can discuss. [REDACTED]. Stephanie

From: Rajeev.Date@treasury.gov [mailto:Rajeev.Date@treasury.gov]
Sent: Thursday, February 24, 2011 11:31 AM
To: Mudick, Stephanie B
Subject: monday agenda

Stephanie,

I'm looking forward to Monday.

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R.D.

Raj Date
Associate Director -- Research, Markets & Regulations Consumer Financial Protection Bureau
raj.date@do.treas.gov
[REDACTED]

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Microsoft Outlook

From: Date, Rajeev (CFPB)
Sent: Thursday, February 24, 2011 2:03 PM
To: Mudick, Stephanie B
Subject: RE: monday agenda

Hey Stephanie. Gave you a ring back but missed you. I'm in the office and can be flexible for another hour or so.

R.D.
[REDACTED]

-----Original Message-----

From: Mudick, Stephanie B [mailto:stephanie.b.mudick@jpmchase.com]
Sent: Thursday, February 24, 2011 12:58 PM
To: Date, Rajeev (CFPB)
Subject: RE: monday agenda

Raj - thanks for the note. Just left message for you at office - call at your convenience and we can discuss. [REDACTED]. Stephanie

From: Rajeev.Date@treasury.gov [mailto:Rajeev.Date@treasury.gov]
Sent: Thursday, February 24, 2011 11:31 AM
To: Mudick, Stephanie B
Subject: monday agenda

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Does that sound right to you? If the timing is awkward given anything else in motion, just let me know and we can postpone.

R.D.

Raj Date
Associate Director -- Research, Markets & Regulations Consumer Financial Protection Bureau
raj.date@do.treas.gov
[REDACTED]

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Microsoft Outlook

From: john.g.stumpf@wellsfargo.com
Sent: Friday, February 25, 2011 11:59 AM
To: Warren, Elizabeth (CFPB)
Subject: Mortgage

Would you be interested in discussing what the press is reporting on speculated terms and conditions to settle the mortgage servicing issues? I am concerned that it will actually make things worse, not better, if what I'm reading is close to what actually is being considered.

Thanks,

J

Microsoft Outlook

From: Warren, Elizabeth (CFPB)
Sent: Friday, February 25, 2011 6:35 PM
To: 'john.g.stumpf@wellsfargo.com'
Subject: RE: Mortgage

John,

I apologize for not getting back to you earlier. I've been in meetings all day and off email. My personal cell is [REDACTED], and I'll have it with me all week-end.

ew

-----Original Message-----

From: john.g.stumpf@wellsfargo.com [mailto:john.g.stumpf@wellsfargo.com]
Sent: Friday, February 25, 2011 11:59 AM
To: Warren, Elizabeth (CFPB)
Subject: Mortgage

Would you be interested in discussing what the press is reporting on speculated terms and conditions to settle the mortgage servicing issues? I am concerned that it will actually make things worse, not better, if what I'm reading is close to what actually is being considered.

Thanks,

J

Microsoft Outlook

From: Date, Rajeev (CFPB)
Sent: Wednesday, March 09, 2011 9:38 AM
To: 'stephanie.b.mudick@jpmchase.com'
Subject: Re: Meeting

Thx Stephanie

R.D.
[REDACTED]

----- Original Message -----

From: Mudick, Stephanie B <stephanie.b.mudick@jpmchase.com>
To: Date, Rajeev (CFPB)
Sent: Wed Mar 09 09:17:27 2011
Subject: Meeting

Raj - just wanted to let you know I am pulling together some new dates for us to get together to discuss mortgage servicing, and will revert shortly.

By the way, nice Bloomberg piece.

Best, Stephanie

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Microsoft Outlook

From: richard.davis@usbank.com
Sent: Thursday, March 10, 2011 6:44 AM
To: Warren, Elizabeth (CFPB)
Subject: Today

Elizabeth - my team is looking forward to our meeting today and thank you for the invitation.

I wanted you to know that we plan to follow your request and provide a "primer" on how mortgage servicing is conducted and who is impacted. We are honored that we can provide our expertise to your team and I am hopeful that our information will be helpful. Let me also suggest that we "have more information than we will have time" - - so we will move swiftly through the tutorial and fully expect follow-up subsequent to our meeting today.

I am bringing Rick Hartnack, head of Consumer and Small Business Banking for US Bank, Dan Arrigoni, head of US Bank Home Mortgage (and a national mortgage leader), and Bob Smiley, head of US Bank Mortgage Servicing. I trust we will have a very productive meeting.

See you at 11:45!

Richard
U.S. BANCORP made the following annotations

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Overview of the Mortgage Servicing Industry

Thursday, March 10, 2011



All of  serving you™

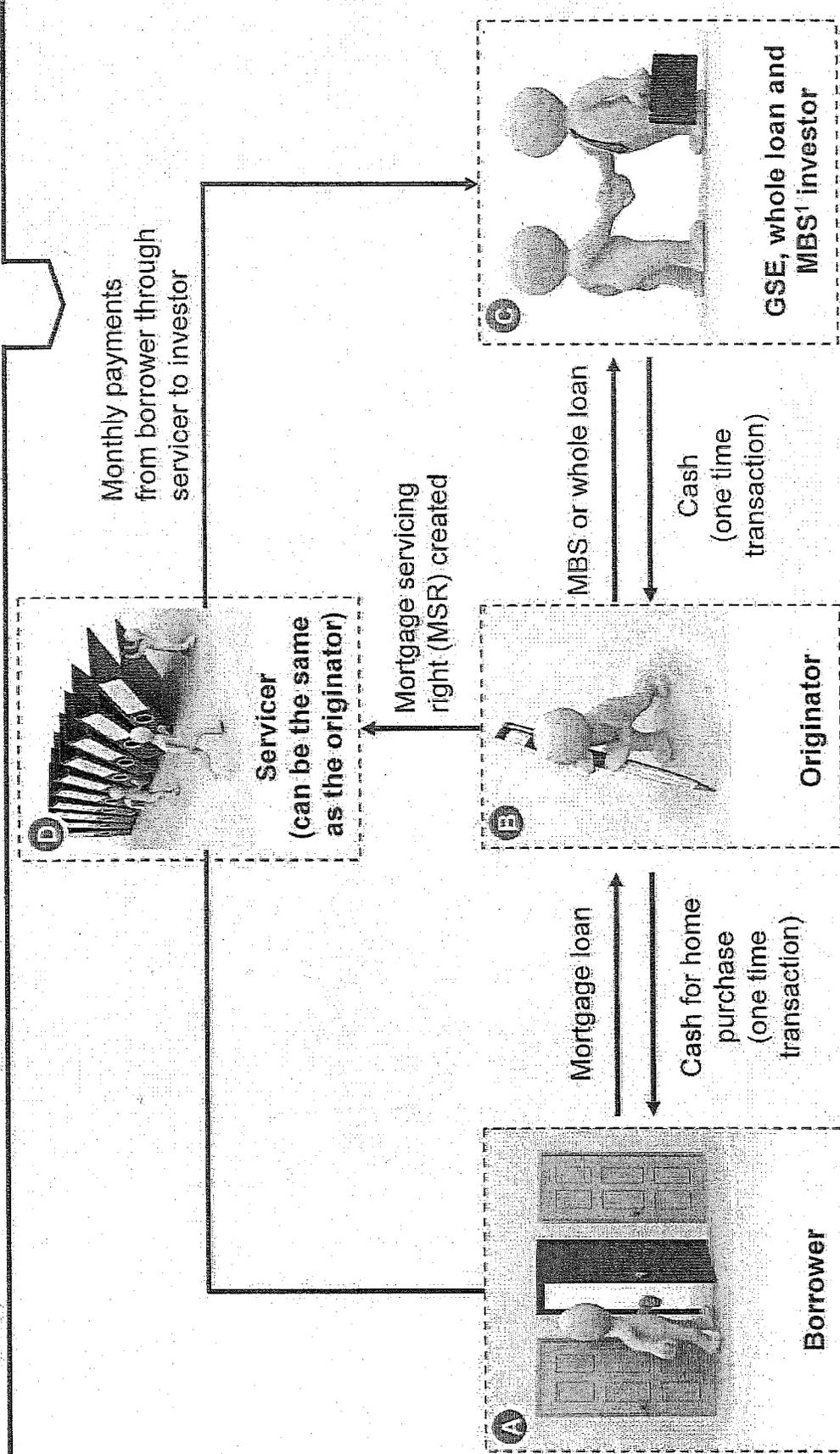
usbank.

UST-CFPB-1 000273

Today's objectives

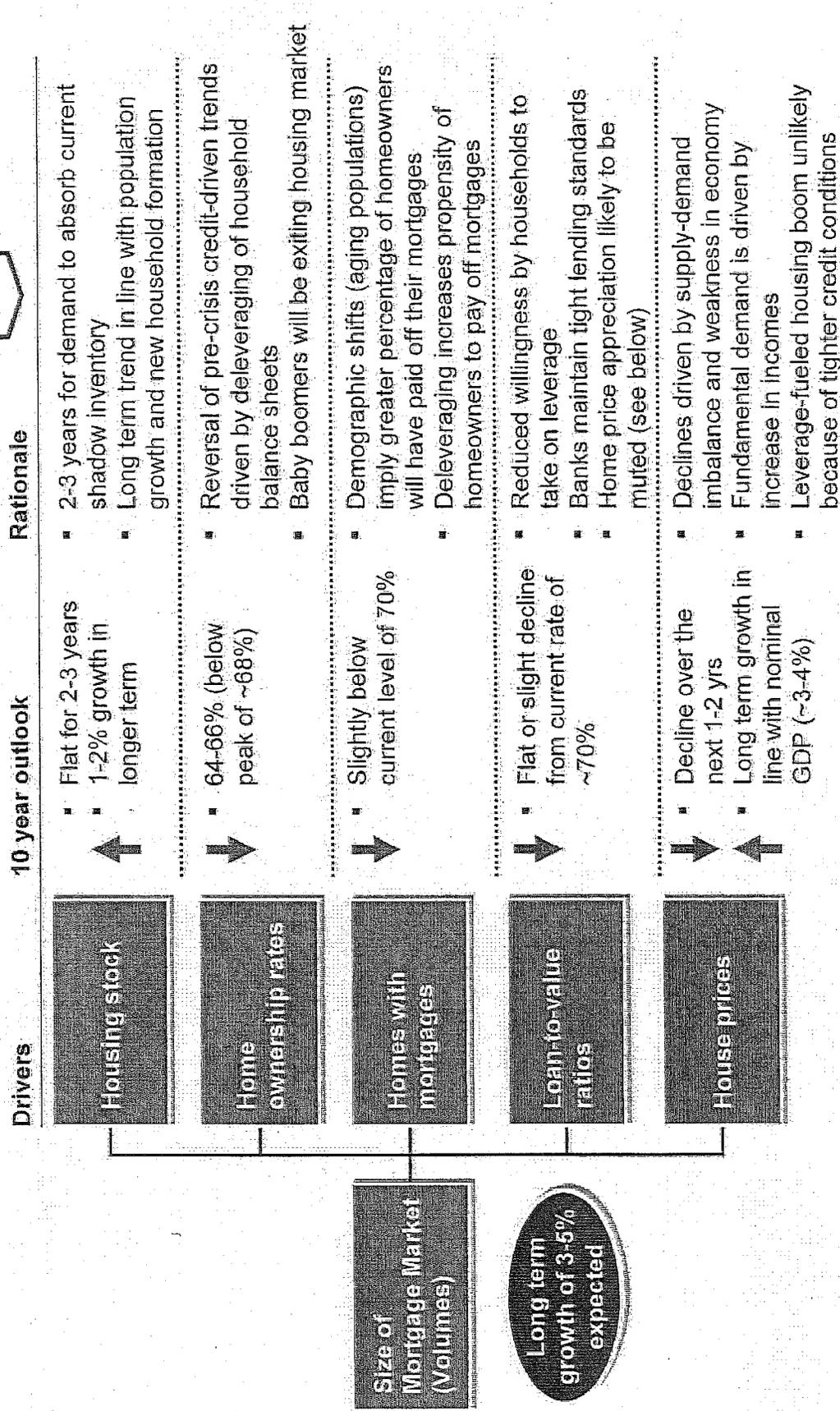
- Level set on the mortgage industry overall and each step in the mortgage value chain: origination, investing, and servicing
- Focus on the key elements of mortgage servicing

Mortgage business system

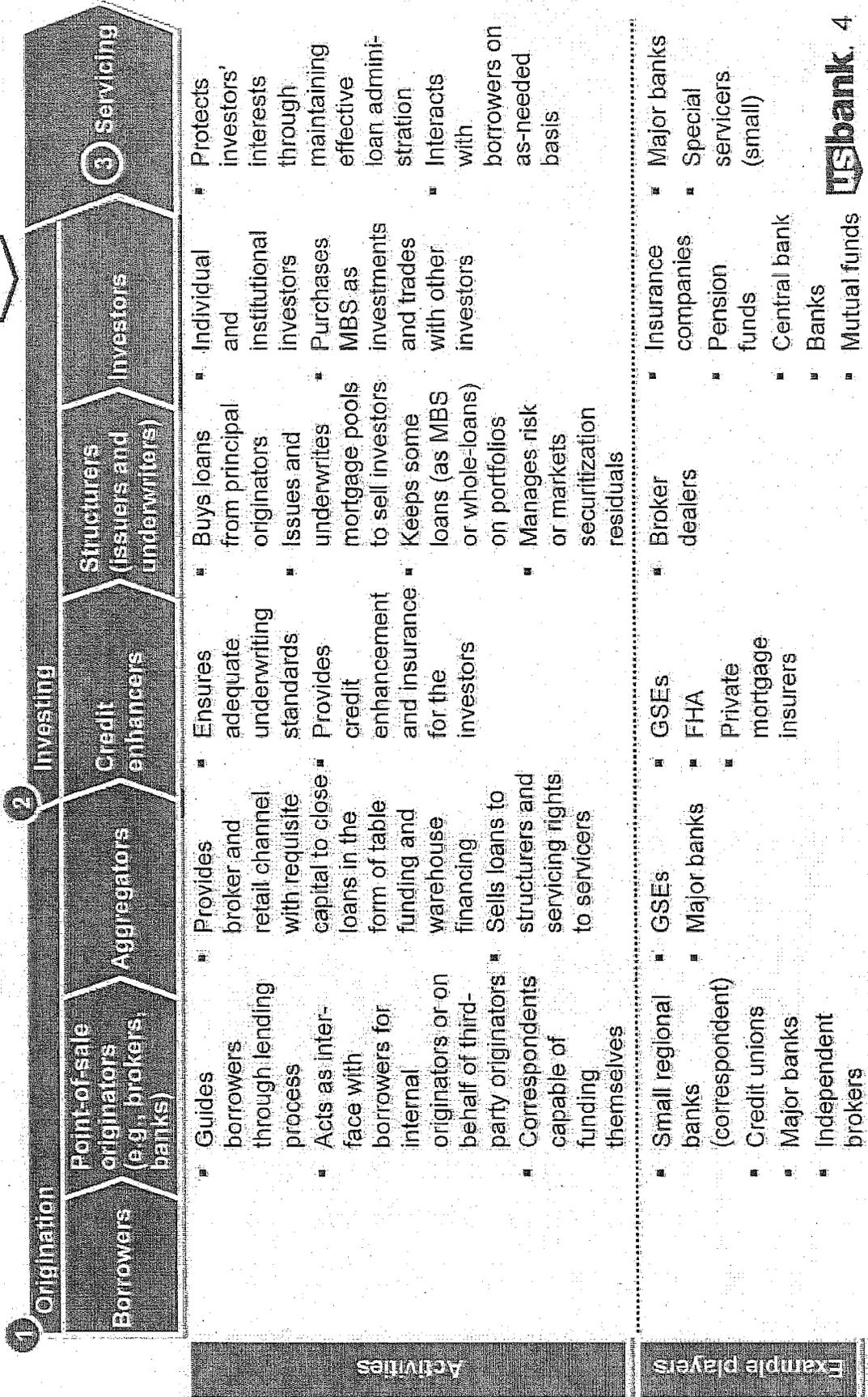


1 MBS = Mortgage Backed Security (securitization of package of mortgage loans); Originator may hold loan on own balance sheet rather than selling loan to investors (called selling to the secondary markets)

5 key drivers impact the size of the mortgage market

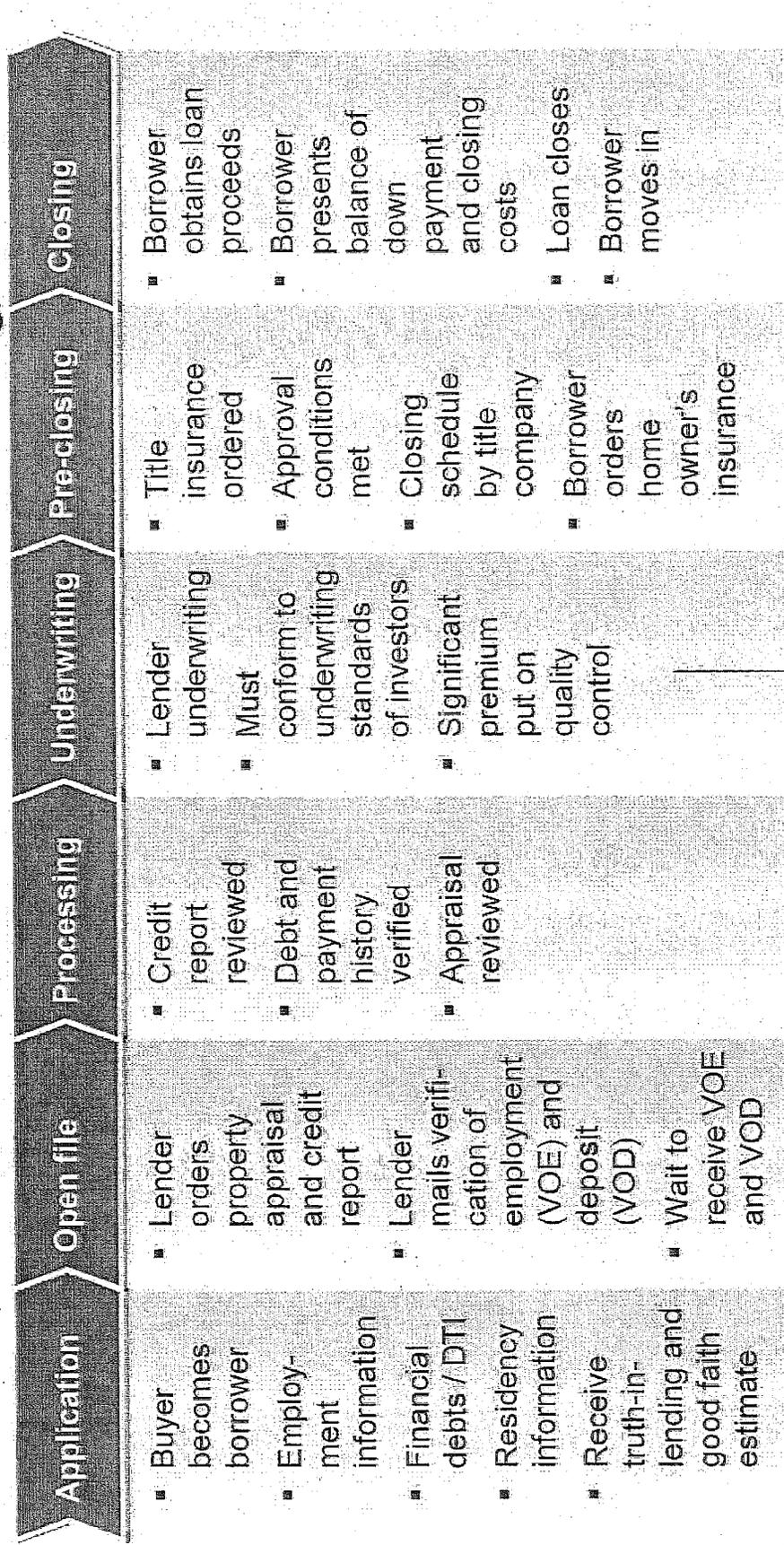


Mortgage value chain



1 Origination

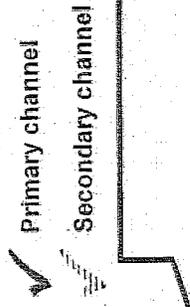
Mortgage origination process



Quality of loan underwriting is the biggest single determinant of servicing cost over life of the loan

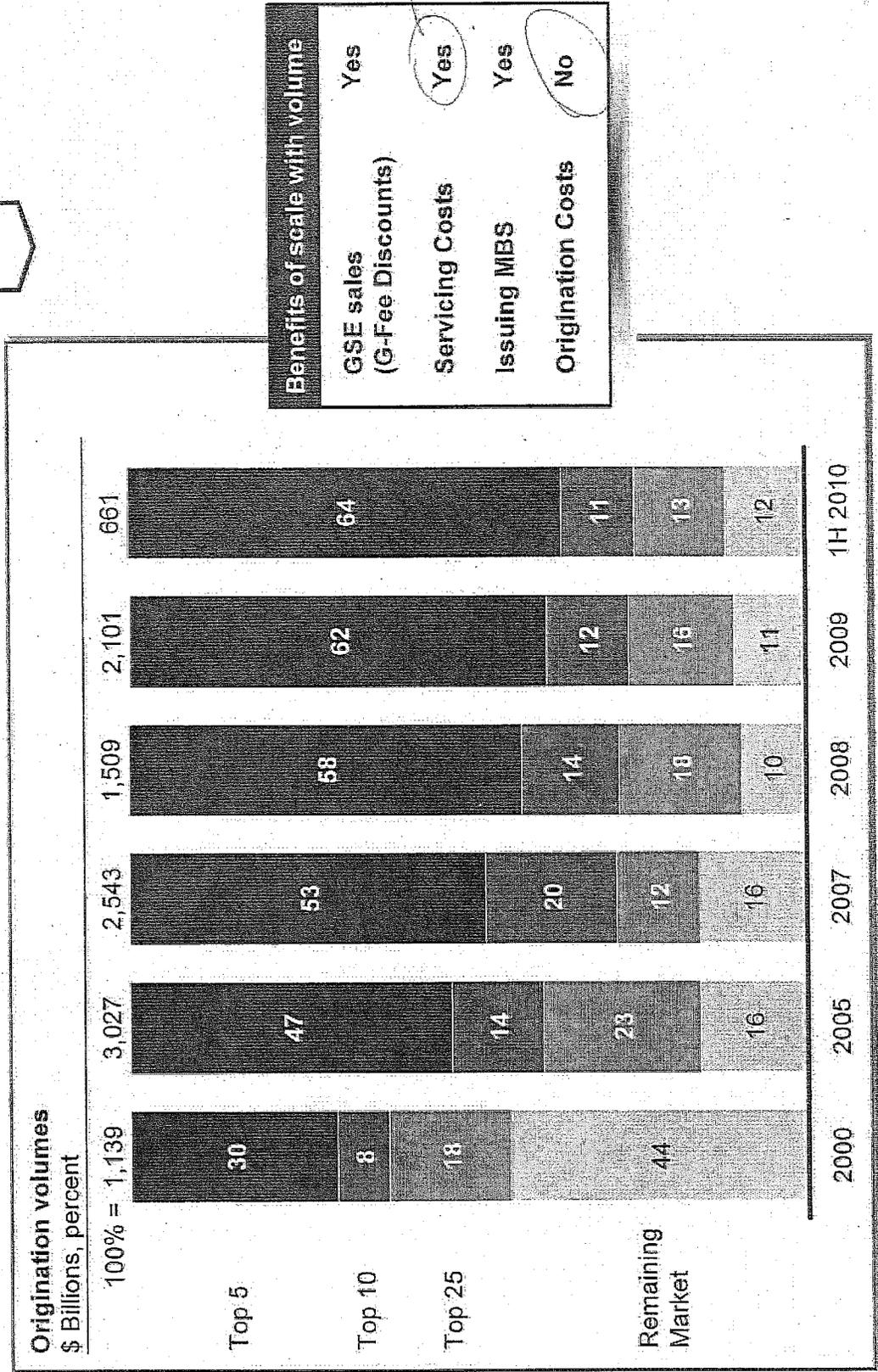
1 Origination

Types of mortgage originators and origination channels



Types of originators	Description	Phone/ Internet	Bank branch	Realtor
Independent mortgage brokers	<ul style="list-style-type: none"> ▪ Sell originations upstream to major banks ▪ Typically lack balance sheet capacity to own loans and don't have any servicing capabilities 	- - -	✓	✓
Major banks	<ul style="list-style-type: none"> ▪ Originate, close and service loans ▪ Either hold the loans (non-conforming) on their balance sheet or sell loans to GSEs, FHA, etc. 	✓	✓ (Refinance)	✓
Correspondent banks	<ul style="list-style-type: none"> ▪ Sell 'whole loans' already closed and funded upstream to major banks because they either lack balance sheet capacity to own the loans or the capability to service them ▪ Some sell directly to the GSEs, FHA, etc. 	- - -	✓	✓

① Origination
**Significant consolidation in wholesale aggregation in the past 10 years,
 driven by economies of scale in GSE sales, servicing, and MBS issuing**

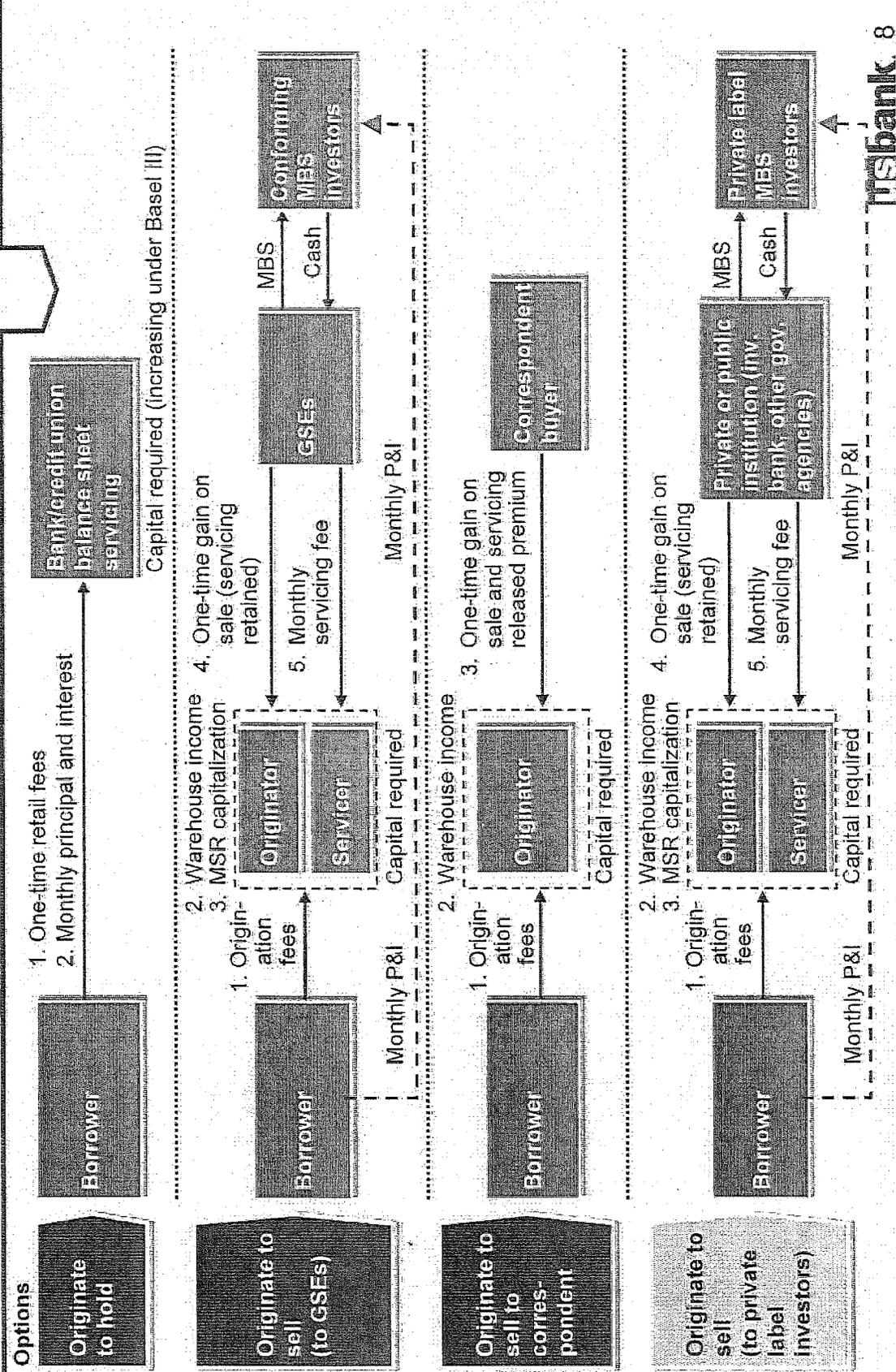


SOURCE: Mortgage Market Statistical Annual; Inside Mortgage Finance report; Economy.com; Mortgage Bankers Associations.

1 Origination

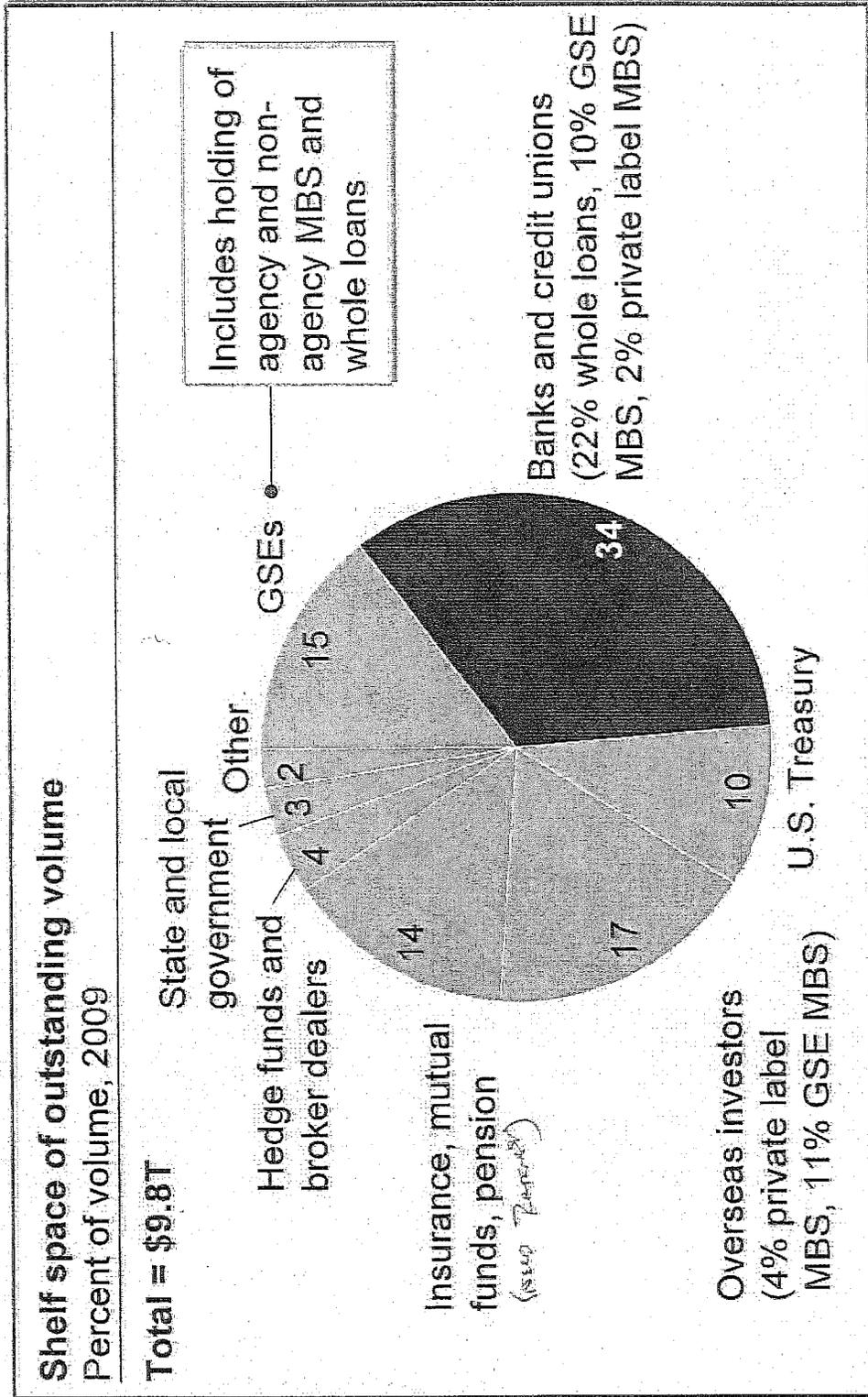
Predominant models in the current environment
 Growing future model as GSEs wane

Originators have multiple options to fund mortgages



② Investing

Banks in the U.S. own only one third of mortgage volume



1 Includes GSE balance sheet
SOURCE: Federal Reserve Flow of Funds

② Investing

Investors: Bonding Activity (mostly GSEs)

Key enablers for an efficient mortgage investors market

Efficient mortgage markets assure consumers the lowest possible price

Key enablers	Rationale
Clear and common standards for underwriting, loan servicing, and investor reporting	<ul style="list-style-type: none"> Investors demand clarity of what they buy Consistent standards result in greater investor confidence
Efficient primary market	<ul style="list-style-type: none"> Need an efficient primary market to sell to the investors, and investors are required given the size of the market
Clarity and integrity of investor rights	<ul style="list-style-type: none"> Predictable investment outcomes increase market efficiency. Losses, prepayment, servicing cost, bankruptcy cramdown, and principal deferral negatively affect predictability
Additional market liquidity through securities markets and secondary market	<ul style="list-style-type: none"> Need an efficient secondary market to attract investors, and investors are required given the size of the market Active secondary trading provides greater liquidity & attracts investors
Credit enhancement	<ul style="list-style-type: none"> Most investors require high quality investment grade bonds, so mortgages need to be credit enhanced by private or public parties Quality and reputation of originator impact price and market acceptance Without credit enhancements, bond prices will be higher and will impact consumer pricing

Handwritten notes:
 - Credit enhancement
 - Mortgage
 - Investor
 - GSEs

③ Servicing

Overview of the US mortgage servicing industry

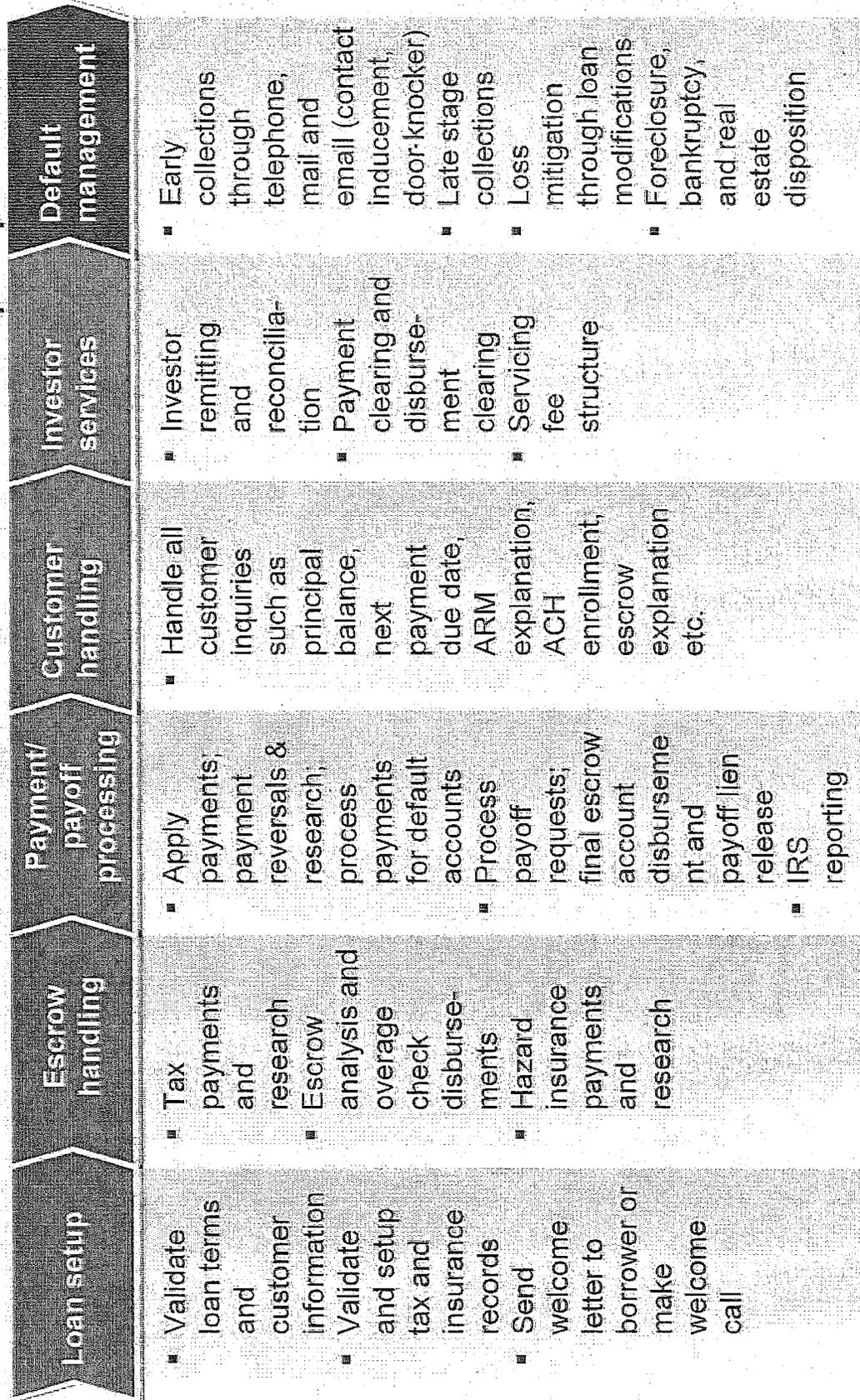
- U.S. mortgage servicing volumes were \$9.8 trillion in 2009; in 2010 the growth continued but slowed after double digit growth in last 5+ years (12%+ CAGR in 2001-2007)
- Servicing volume is likely to grow slowly in the next few years, due to lagging origination volumes
- Mortgage servicing is highly consolidated (~60% of total portfolio serviced by the top 5 players) with a fairly long "tail" (next ~20 players each with 0.5 - 2% share)
 - All significant servicers are also originators
 - Landscape of servicing players has changed with increasing consolidation, exit of smaller players, and increasing role of private equity
 - Cost and complexity of servicing is a barrier to entry

3 Servicing

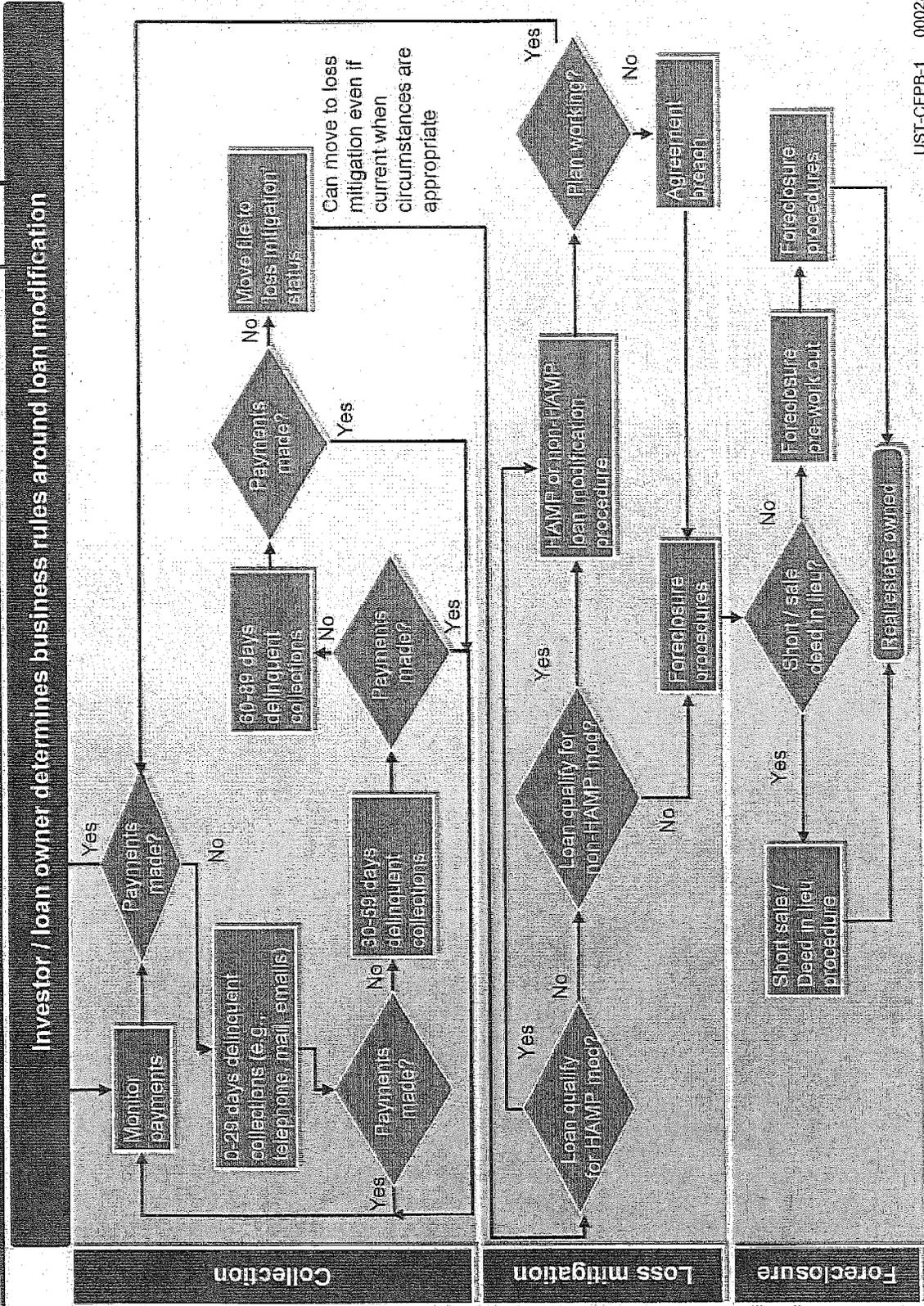
Business-as-usual (BAU) servicing

Default servicing (details follow)

Overview of mortgage servicing operations



Default management process



③ Servicing

Default management from borrower, servicer, and investor perspective



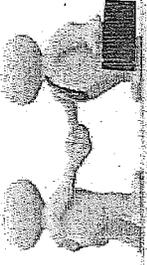
Borrower perspective

- Borrowers, alone or with advisors, make rational choices based on their circumstances
- Value of home relative to debt influences propensity to continue paying mortgage
- Diminished income narrows choices—modify or give up home are only practical choices
- High debt loads can make bankruptcy another path
- Under some circumstances borrowers are unwilling or unable to continue paying (move, divorce, death)
- Borrower behavior ranges from cooperative to purposeful stalling techniques



Servicer perspective

- Modification only works with borrowers that have both capacity and willingness to pay modified loan
- Foreclosure is almost always the most costly path to follow
- Servicing for a multitude of investors means two similarly situated borrowers may get very different treatment
- Short sale—essentially a one bidder auction for a home—is most problematic resolution
- Programs like HAMP are well designed for some borrowers but not necessarily all
- FHA short refinance program is not widely used



Investor perspective (GSE, whole loan, and MBS)

- Foreclosure involves high cost, unpredictable outcomes, and introduces a wide variety of operational risk and expense
- Whole loan owners—primarily banks—generally do everything possible to keep borrowers in house
- GSEs have very tight business rules for handling defaults and modification
- Investors exhibit wide spectrum of approaches to default management— from prohibition of interest or principal mod. to more flexible approaches
- Poor underwriting and structure lead to greater losses

③ Servicing

Customer hardship helps determine the most appropriate modification

What are the options available to treat a delinquent mortgage customer who is willing and able to pay?

Options available

Short-term hardship
(primarily income interruption or expense bulge)

Increasing severity of customer hardship

Reinstatement via "payment plan"

Payment of delinquent amount and collection fees

Deferment

Partial payment of delinquent amount followed by moving the remaining past due to a future date

Modification

Adjustment to APR, term, or capitalization

Debt reduction

Partial or total reduction of interest, partial reduction of capital

Significant hardship
(loss of job, extended medical expenses)

Exit strategies (e.g., Foreclosure, Deed-in-Lieu, Short Sale). Sale of house to mitigate losses through proceeds

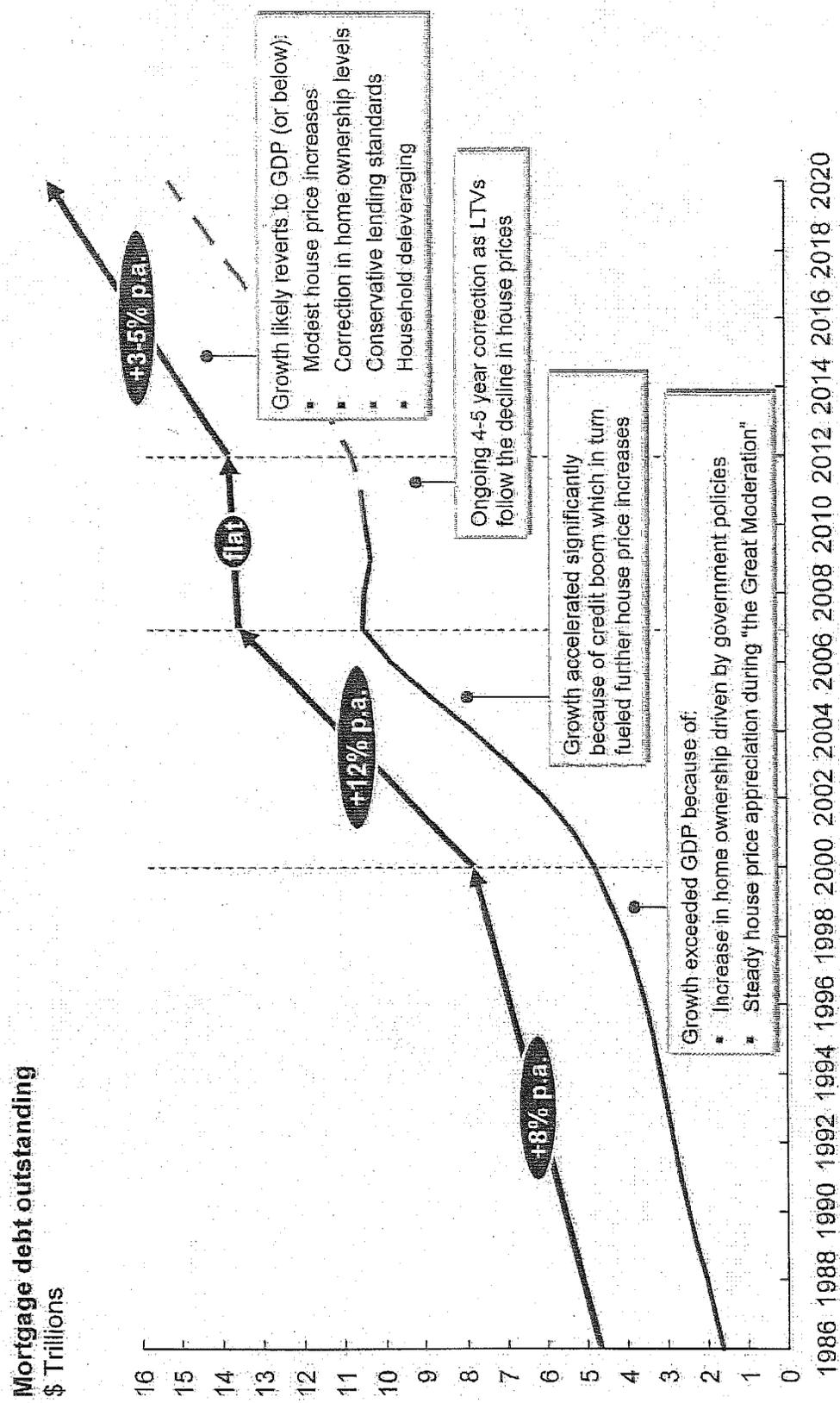
Factors to consider going forward

- Strong investor demand for mortgage debt is critical to an efficient and effective consumer mortgage market
- Need to consider the legal / legislative / regulatory foundation for servicing agreements that give servicers and trustees clear guidance to act to resolve borrower problems without increasing mortgage pricing to consumers excessively
- GSEs play a large and critical role in the mortgage market and great care must be exercised in scaling back or eliminating their role to avoid shocking the market, restricting supply of mortgage finance, or impacting consumer pricing excessively

Appendix



Mortgage industry will likely grow slower than over the past 25 years

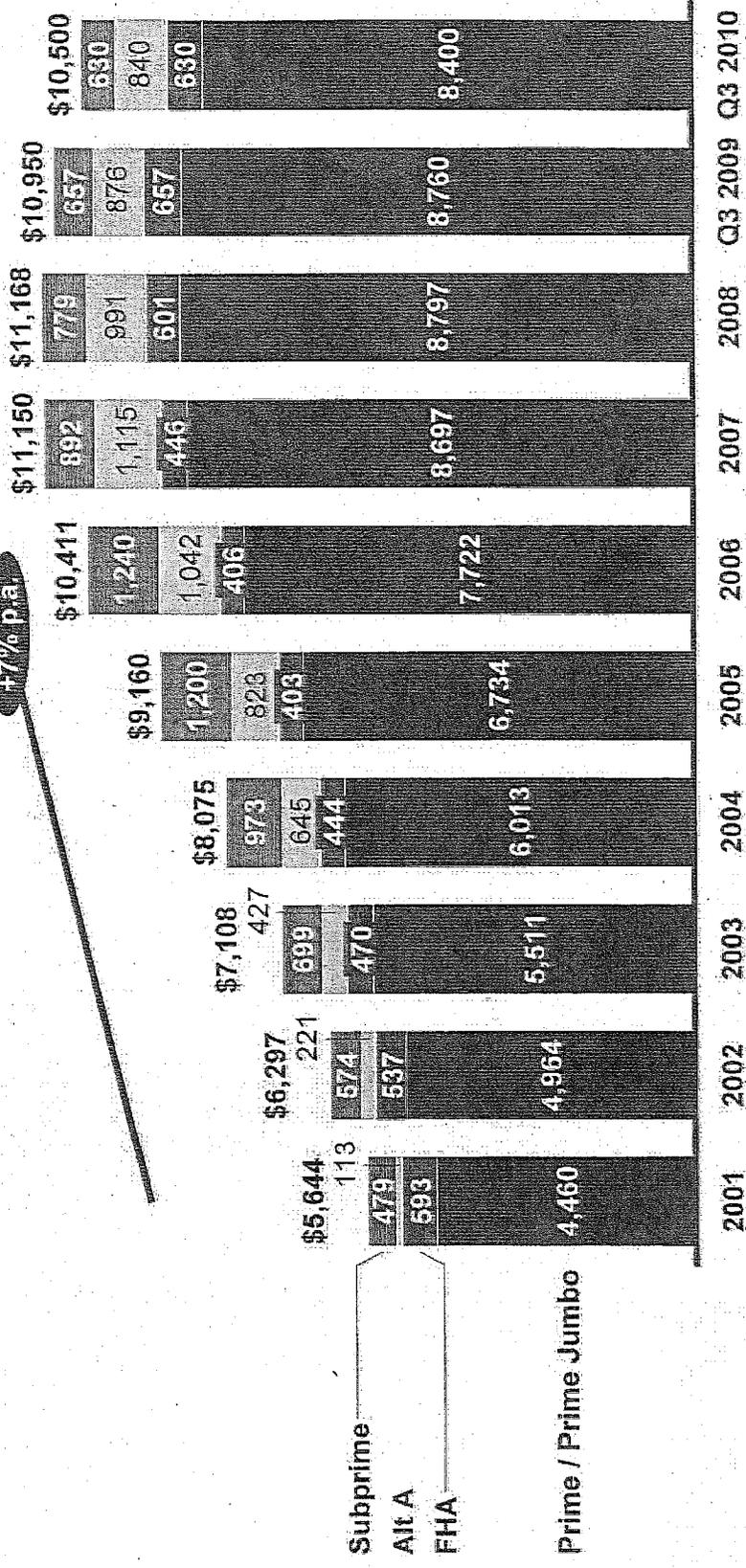


SOURCE: Federal Reserve Flow of Funds

Growth in mortgage balances

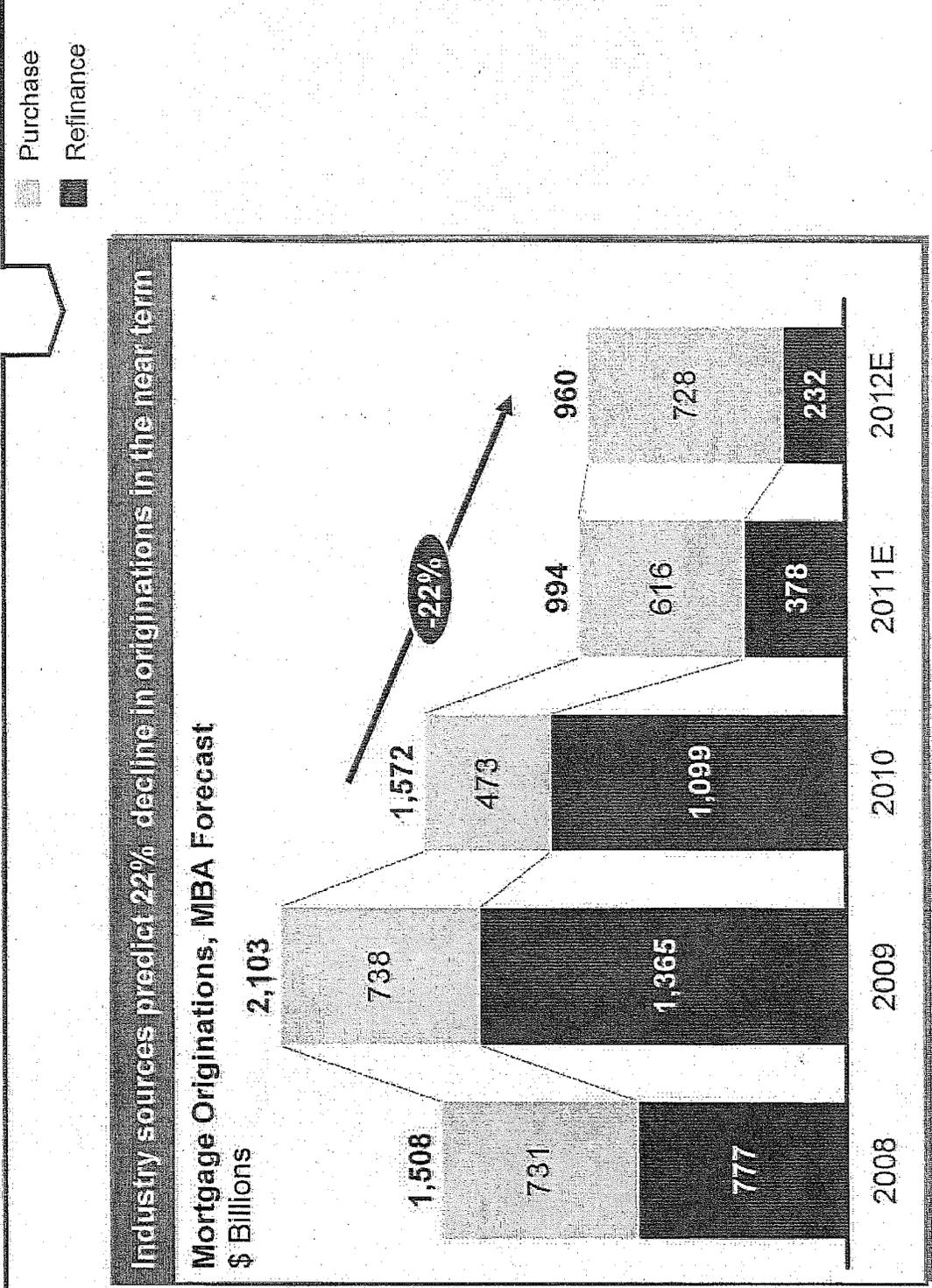
Mortgage balances by credit quality
\$ Millions

+7% p.a.



SOURCE: Mortgage Market Statistical Annual, Moody's Economy.com

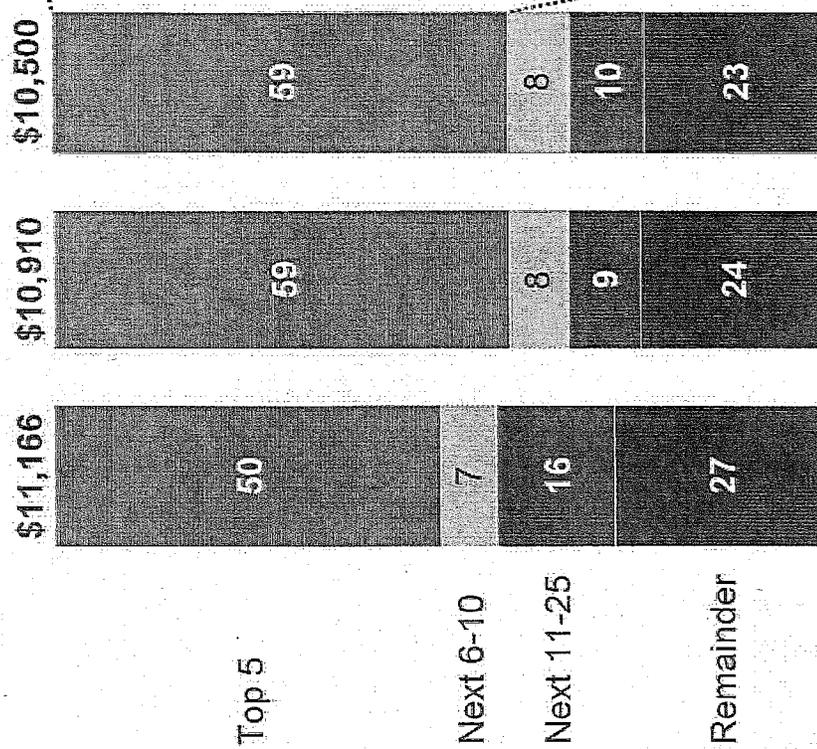
Servicing volume is likely to grow slowly in the next few years, due to lagging mortgage origination volumes



SOURCE: Inside Mortgage Finance; MBA forecast; Fannie Mae; Moody's

There has been significant consolidation among the mega-servicers

Q3 2010 top mortgage servicers
\$ Billions; Percent



Top 5 servicers	Major consolidations
▪ Bank of America	▪ Countrywide Financial
▪ Home Loans Services (Merrill Lynch)	▪ Bank of America Mtg. & Affiliates
▪ Wilshire Credit (Merrill Lynch)	▪ Home Loans Services (Merrill Lynch)
▪ Wells Fargo	▪ Wachovia Corporation
▪ JP Morgan Chase	▪ Chase Home Finance
	▪ Washington Mutual
	▪ EMC Mortgage (Bear Stearns)
▪ Citigroup	▪ CitiMortgage Inc.
▪ Ally Financial	

SOURCE: Inside Mortgage Finance, Mortgage Market Statistical Annual

The servicing market has three different segments

Mega Lenders

Smaller - mostly prime - focused - lenders

Specialty Outsourcer

Name	Market Share Percent	Volume \$ Trillions	Origination Services/ Originator	Paper Type
Bank of America	19.6%	\$2.1	✓	Mostly prime
Wells Fargo	17.2%	\$1.8	✓	Mostly prime
Chase	11.9%	\$1.3	✓	Mostly prime
CitiMortgage	5.7%	\$0.6	✓	Mostly prime
Ally Financial	3.4%	\$0.36	✓	Mostly prime
U.S. Bank	2.1%	\$0.22	✓	Mostly prime
PHH	1.6%	\$0.17	✓	Mostly prime
SunTrust	1.5%	\$0.16	✓	Mostly prime
OneWest Bank	1.3%	\$0.14	✓	Mostly prime, Alt A
PNC	1.3%	\$0.14	✓	Mostly prime
MetLife	1.1%	\$0.12	✓	Mostly prime
HSBC	1.0%	\$0.11	✓	50% subprime
BB&T	8%	\$0.08	✓	Mostly prime
Fifth Third	6%	\$0.07	✓	Mostly prime
Flagstar	6%	\$0.06	✓	Mostly prime
EverBank	5%	\$0.06	✓	NA
Regions	5%	\$0.05	✓	Mostly prime
American Home	7%	\$0.08		>50% subprime, Alt A
Ocwen	7%	\$0.07	✓	>50% subprime
Aurora	6%	\$0.07		Mostly Alt A, prime
Nationstar Mtg.	6%	\$0.06	✓	NA

- Most servicing players focus on the prime market -- and are also originators
- Specialist outsourcers, for the most part, focus on the non-prime space and have some originations BPO capabilities

Definitions

GSE	Government Sponsored Enterprise Group of financial services corporations created by the U.S. Congress to enhance the flow of credit (e.g., Fannie Mae, Freddie Mac)	MSR	Mortgage Servicing Rights Contractual agreement where the rights to service an existing mortgage are sold by the original lender to another party
Modification / forbearance	Process where the terms of a mortgage are modified outside the original terms of the contract agreed to by the lender and borrower	Normal servicing	Servicing of mortgages that are neither in default, nor heading towards default (vs. distressed servicing)
HAMP	Home Affordable Modification Program Federal program targeting homeowners at risk of foreclosure to help with loan modifications on their home mortgage debt	Subservicer	3 rd party who handles the servicing of mortgages for the borrower, and whose responsibilities often include payment collection and holding escrow for taxes / insurance
Short sell	Sale of real estate where the sale proceeds are less than the balance owed on the property's loan and where both parties consent to the short sale process (in order to avoid foreclosure)	Dead in lieu	Mutual agreement to have ownership interest transferred to the lender as payment in full in order to avoid lengthy and expensive foreclosure processes
Foreclosure	Legal process by which an owner's right to a property is terminated, usually due to default	PD	Probability of Default Likelihood that a loan will not be repaid and will fall into default – a parameter used in the calculation of economic capital under Basel II
REO	Real Estate Owned Class of property owned by a lender after an unsuccessful sale at a foreclosure auction	ACB	Loss Given Default Loss incurred if a borrower default – a parameter used in the calculation of economic capital under Basel II
MBS	Mortgage-Backed Security Asset-backed security that represents a claim on the cash flows from mortgage loans through securitization		

Microsoft Outlook

From: Warren, Elizabeth (CFPB)
Sent: Thursday, March 10, 2011 10:01 PM
To: richard.davis@usbank.com
Subject: RE: Today

Richard,

I'm sorry I didn't see this until now (I'm just now finding a few minutes to open my computer). But you give me a chance to thank you for the very thoughtful and informative meeting. I really appreciate your taking your time to prepare a thoughtful and informative deck, and to bring such knowledgeable people to help us. Rick, Bob and Dan are terrific. You all gave us a great deal to think about, and we are all appreciative.

I value your help--and your friendship--more than you know.

ew

From: richard.davis@usbank.com [richard.davis@usbank.com]
Sent: Thursday, March 10, 2011 6:43 AM
To: Warren, Elizabeth (CFPB)
Subject: Today

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Microsoft Outlook

From: richard.davis@usbank.com
Sent: Friday, March 11, 2011 9:46 AM
To: Warren, Elizabeth (CFPB)
Subject: RE: Today

Thanks Elizabeth - we were pleased to join you and your team and we thought the conversation was productive. I will be sending a final contact listing so that our team members can follow-up with additional conversation -- and I will include the name of our Corporate Trust leader in the event you want to further discuss the rights of the investors as seen from the trustee role.

Please let us know if we can be of any further assistance.

RD

From:
<Elizabeth Warren
To:
<richard.davis@usbank.com>
Date:
03/10/2011 09:08 PM
Subject:
RE: Today

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Microsoft Outlook

From: richard.davis@usbank.com
Sent: Friday, March 11, 2011 10:07 AM
To: Warren, Elizabeth (CFPB); Date, Rajeev (CFPB); Cordray, Richard (CFPB); McCoy, Patricia (CFPB); Bernstein, Ethan (CFPB)
Cc: richard.hartnack@usbank.com; robert.smiley@usbank.com; DAN.ARRIGONI@usbank.com; bryan.calder@usbank.com
Subject: Contact Information

Elizabeth, Raj, Pat, Rich and Ethan:

Thanks for a very productive meeting yesterday and know that we would be very pleased to "continue the dialogue" if you have additional interest in our expertise. Also note that I have included the name of our Corporate Trust leader, Bryan Calder in the event that you may want to learn more about the investor rights as seen from the perspective of the trustee. Bryan is "up to speed" on our conversation and ready to speak with any of you.

Have a great weekend

Richard

Richard Davis
Chairman, President and CEO
U.S. Bancorp
800 Nicollet Mall
Minneapolis, MN 55402
[REDACTED] / [REDACTED] (Fax)
richard.davis@usbank.com

Rick Hartnack
Vice Chairman, Consumer Banking
U.S. Bancorp
800 Nicollet Mall
Minneapolis, MN 55402
[REDACTED] / [REDACTED] (Fax)
richard.hartnack@usbank.com

Dan Arrigoni
President and CEO, U.S. Bank Home Mortgage 1550 American Blvd E Bloomington, MN 55425
[REDACTED] / [REDACTED] (Fax)
dan.arrigoni@usbank.com

Bob Smiley
Vice President of Loan Administration for U.S. Bank Home Mortgage
4801 Frederica Street
Owensboro, KY 42301
[REDACTED] / [REDACTED] (Fax)
robert.smiley@usbank.com

Brian Calder
President, Corporate Trust Services
1 Federal Street
Boston, MA 02110
[REDACTED] / [REDACTED] (Fax)
bryan.calder@usbank.com

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Microsoft Outlook

From: richard.davis@usbank.com
Sent: Sunday, March 13, 2011 5:06 PM
To: Warren, Elizabeth (CFPB); Date, Rajeev (CFPB)
Cc: richard.hartnack@usbank.com; VALERIE.GROVE@usbank.com
Subject: Follow-up

Elizabeth and Raj - following my conversations on Friday (with each of you), Rich Hartnack and I thought it may be helpful to send you our additional thoughts following our very productive meeting on Thursday. Particularly as it pertains to the "needs test" that we described, here are our recommendations:

- - - - -

The "needs test" would encompass the following:

1. Substantial diminishment of income due to economic or unavoidable personal circumstances. This would include:
Unemployment or substantially reduced employment income since the time the mortgage was granted
Death or disability
Divorce (although we don't want people divorcing in the future to qualify)
Medical situation
Other unforeseeable circumstance.
2. There are also some situations remaining (most have been worked through at Downey, but Countrywide, World and Wamu might not be as far along) where the original mortgage was extremely large for the income the family had. In other words, a very poorly structured mortgage that could not be serviced even without loss of income. In these cases the "need" was created by the original underwriting and as we have done at Downey and OneWest has done with IndyMac, these mortgages need to be restructured. The limit to the restructure should be the same as we have been using. Compare foreclosure cost and losses to the modification lost and pick the solution that optimizes the investor's position.
3. What DEFINITELY DOES NOT meet the needs test are the following type of cases:
Voluntary and avoidable diminishment of income (quitting or retiring in order to qualify for a debt reduction windfall)
Voluntary reduction of income previously earned (second job, second family income, etc.)
Adding obligations since the original mortgage that diminish capacity to pay all obligations simply because they went out and took on more debt.
Bankruptcy without cramdown is the best solution in these cases--and they will be able to keep their house and their mortgage. Major obligations incurred as a result of a medical situation would be accommodated in a "needs test", but these situations are very unique in every case and sometimes bankruptcy is the best solution.
Diminishment of income that is minor and doesn't substantially impact ability to pay if the debtor makes reasonable accommodations.
4. Finally, if the family has additional resources (savings, liquid wealth or real estate investments with positive equity) (but not including 401K, pension, IRA, college savings funds) it would be expected that they would use those resources before getting a principle write down.
5. Needs test would only be used in primary residence modification.
Non-owner occupied property should not be subject to this approach.

The actual program specifications of exactly how the calculations are made on NPV (what discount rate?--it really matters) and property valuation should be reasonable from the perspective of the mortgage debt investor and not obviously stacked against them. Borrowers should pay for any "appeal" appraisals as we have seen these arguments over value go on endlessly.

With all these caveats, we can put in place a mechanism to take care of those that need

and deserve it. Keep the system FAIR, and limit damage to what investors implicitly accepted when they bought mortgage debt.

Also know that we have additional thoughts to share regarding the ideas we discussed pertaining to the collateral value issues and if you continue on that path - we would be pleased to share our strong negative reaction to that approach and offer our rationale. Just let us know and we hope this is helpful to you.

Richard and Rick

U.S. BANCORP made the following annotations

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Microsoft Outlook

From: Warren, Elizabeth (CFPB)
Sent: Monday, March 14, 2011 8:11 AM
To: richard.davis@usbank.com; Date, Rajeev (CFPB)
Cc: richard.hartnack@usbank.com; VALERIE.GROVE@usbank.com
Subject: RE: Follow-up

Thank you, Richard. I always appreciate hearing your thoughtful ideas.

Raj will follow up with Rick, Bryan and Bob.

From: richard.davis@usbank.com [richard.davis@usbank.com]
Sent: Sunday, March 13, 2011 5:05 PM
To: Warren, Elizabeth (CFPB); Date, Rajeev (CFPB)
Cc: richard.hartnack@usbank.com; VALERIE.GROVE@usbank.com
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Elizabeth and Raj - following my conversations on Friday (with each of you), Rich Hartnack and I thought it may be helpful to send you our additional thoughts following our very productive meeting on Thursday. Particularly as it pertains to the "needs test" that we described, here are our recommendations:

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The "needs test" would encompass the following:

1. Substantial diminishment of income due to economic or unavoidable personal circumstances. This would include:
Unemployment or substantially reduced employment income since the time the mortgage was granted
Death or disability
Divorce (although we don't want people divorcing in the future to qualify)
Medical situation
Other unforeseeable circumstance.
2. There are also some situations remaining (most have been worked through at Downey, but Countrywide, World and Wamu might not be as far along) where the original mortgage was extremely large for the income the family had. In other words, a very poorly structured mortgage that could not be serviced even without loss of income. In these cases the "need" was created by the original underwriting and as we have done at Downey and OneWest has done with IndyMac, these mortgages need to be restructured. The limit to the restructure should be the same as we have been using. Compare foreclosure cost and losses to the modification lost and pick the solution that optimizes the investor's position.
3. What DEFINITELY DOES NOT meet the needs test are the following type of cases:
Voluntary and avoidable diminishment of income (quitting or retiring in order to qualify for a debt reduction windfall)
Voluntary reduction of income previously earned (second job, second family income, etc.)
Adding obligations since the original mortgage that diminish capacity to pay all obligations simply because they went out and took on more debt.
Bankruptcy without cramdown is the best solution in these cases--and they will be able to keep their house and their mortgage. Major obligations incurred as a result of a medical situation would be accommodated in a "needs test", but these situations are very unique in every case and sometimes bankruptcy is the best solution.
Diminishment of income that is minor and doesn't substantially impact ability to pay if the debtor makes reasonable accommodations.
4. Finally, if the family has additional resources (savings, liquid wealth or real estate investments with positive equity) (but not including 401K, pension, IRA, college savings funds) it would be expected that they would use those resources before getting a principle

write down.

5. Needs test would only be used in primary residence modification.
Non-owner occupied property should not be subject to this approach.

The actual program specifications of exactly how the calculations are made on NPV (what discount rate?--it really matters) and property valuation should be reasonable from the perspective of the mortgage debt investor and not obviously stacked against them. Borrowers should pay for any "appeal" appraisals as we have seen these arguments over value go on endlessly.

With all these caveats, we can put in place a mechanism to take care of those that need and deserve it. Keep the system FAIR, and limit damage to what investors implicitly accepted when they bought mortgage debt.

Also know that we have additional thoughts to share regarding the ideas we discussed pertaining to the collateral value issues and if you continue on that path - we would be pleased to share our strong negative reaction to that approach and offer our rationale. Just let us know and we hope this is helpful to you.

Richard and Rick

U.S. BANCORP made the following annotations

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