AN EXAMINATION OF POTENTIAL PRIVATE SECTOR SOLUTIONS TO MITIGATE FORECLOSURES IN NEVADA

FIELD HEARING

BEFORE THE

SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

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AN EXAMINATION OF POTENTIAL PRIVATE SECTOR SOLUTIONS TO MITIGATE FORECLOSURES IN NEVADA

Thursday, March 15, 2012

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
AND CONSUMER CREDIT,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., at the Clark County Commission Chambers, Clark County Government Center, 500 South Grand Central Parkway, Las Vegas, Nevada, Hon. Shelley Moore Capito [chairwoman of the subcommittee] presiding.

Members present: Representatives Capito, Heck, and Berkley.

Chairwoman CAPITO. This hearing will come to order.

I would first like to thank Representative Heck for inviting us and for hosting the subcommittee this morning. I would also like to thank Representative Berkley for coming today. We joke between one another because we are the two "Shelley's" in the House of Representatives, and we're both "Shelley" with an "E–Y." So we have a lot in common.

What I'll do basically is sort of walk you through the process. This is a field hearing of the Financial Services Committee's Subcommittee on Financial Institutions and Consumer Credit, of which I am the chairman, and so we're coming out really to hear what's going on across the country.

We had a hearing yesterday in San Antonio, Texas. We focused that on financial institutions and bank examination procedures and today, knowing of, and hearing quite frequently of, your issues with foreclosures, certainly in the Financial Services Committee we have had numerous programs before us and numerous testimony on how woefully short these Federal programs have been falling, in terms of the foreclosure issues.

So what we will do is I will recognize each of us for 5 minutes for an opening statement, and then I will recognize the witnesses for 5 minutes for a summary statement. After that, we will have several rounds of questioning.

As I said, the topic of this morning's hearing is critical to the community of Las Vegas, which is one of the hardest-hit communities in the aftermath of the financial crisis. There have been numerous Federal programs taxed with addressing the challenges in the housing market and reducing the number of foreclosures across the Nation.

By and large, these programs have really failed to meet the expectations or stem the growing tide of foreclosures.

The purpose of this morning's hearing is to better understand what has worked and what has not. Members of the subcommittee are especially interested in learning more about private sector solutions to mitigate foreclosures.

Too often, I believe, the Federal Government programs designed to help people struggling to stay in their homes fail to help those who are truly in need. Part of the reason for the deficiencies in these programs is because they're relying on Washington-based solutions. The real estate market is highly regional, therefore, solutions to the problems in this market may be region-based, and I think we are going to learn about that today.

Today's hearing will allow Members to learn more about creative ideas tested at the local level, and I look forward to that.

I would like to thank each of you. I would like to thank the Clark County Commission for their help in putting this together and for letting us use their chambers. It's a beautiful city and a beautiful chamber here, and I want to thank the staffs of both Members here for helping. I would like to thank my own staff as well for their help.

I know these settings can sometimes—the witnesses might be intimidated. But the purpose of this is a dialogue and conversation.

Field hearings, I think, are really important for us to learn more about the unique challenges. I'm from West Virginia and we have not—we don't suffer the highs, so we haven't suffered the lows, although we are playing at 12:00 today. So, everybody watch your brackets there.

But seriously, our real estate market has not suffered the kind of demolition that yours has. We have sort of stayed in the middle all the time, and so we're still in the middle, and gratefully so, in the bad times. We're here to listen and learn.

I would now like to recognize Ms. Berkley for the purpose of making an opening statement.

Ms. BERKLEY. Thank you, Madam Chairwoman, and I'm absolutely delighted to welcome you to my congressional district and my hometown. And Mr. Heck, it's always a pleasure to share the stage with you and I'm delighted that we are here to talk about an issue that is so very important to the people that I represent. Also, I want to welcome the witnesses.

I'm looking around and I know that we have the best that there is and people who are working in the trenches and know exactly what's going on in the State of Nevada and will be able to share it with the committee.

As we all know, our State faces the highest unemployment rate in the Nation, and we have the highest mortgage foreclosure rate. People come over to me all the time. They say, "Congresswoman, I have never missed a day of work. I have never missed a mortgage payment. I lost my job. I lost my home. What am I going to do?"

They are losing their homes through no fault of their own, and there are tens of thousands of my fellow Nevadans who are struggling. In February, 1 in every 274 housing units in our State had a foreclosure filing. That's more than twice the national average.

One in 16 properties in the State has been foreclosed on, the highest in the country. Freddie Mac and Fannie Mae own 179,000 mortgages in Nevada, and nearly 14 percent of the 1.2 million homes owned by the State, 61 percent—I should say that since 2007, more than 130,000 homes have been foreclosed on in Southern Nevada alone—of Nevada homes are underwater, or 343 properties across the State.

Our State continues to lead the Nation for the percentage of homes underwater. The average home, the last time I checked, was 145 percent underwater, loan to value, which is a negative cash equity of $14.1 billion. We only had 3,800 new home sales in February, which is the lowest in the Nation.

We need to be focused like a laser on the serious challenges that Nevadans are facing today, and our foreclosure crisis is a prime example of one of those serious challenges. We must be examining all options for solutions to our housing crisis. We should leave no stone unturned, no option unconsidered.

I understand that today's hearing is titled, "An Examination of Potential Private Sector Solutions to Mitigate Foreclosures in Nevada." We have seen how powerful private sector partnerships can be. The hardest-hit model relies on cooperation between the government and private sector banks to bring down the principal of underwater loans.

We should be looking for more ways that we can work together across private and public sectors to address this crisis. However, I think it's very important to know that after the collapse of the housing market, when Congress and the White House took important steps to keep homeowners in their homes and reduce the negative equity, these programs have not always been successful, and are hampered by the refusal of Freddie and Fannie and private banks to participate in mortgage write-downs and modifications.

Yet, as a matter of fact, let me emphasize that a bit. Freddie and Fannie own 179,000 mortgages in Nevada, as of September 30, 2011. That's more, as I said, than 10 percent of the homes in the State. However, to date, for the most part they have been unwilling to refinance or write down mortgages because of the impact on their bottom line. I think that's very bad, and fully 10 percent of the homes in Nevada that are Freddie- and Fannie-owned have absolutely no relief whatsoever.

Yet, there are some out there who think that our Nation's leaders should do nothing, do nothing for the people who are struggling. I don't think they get it. And they certainly don't understand what's happening here in the State of Nevada.

That we should let Nevadans, or our fellow Americans hit bottom and just let the market work is anathema to everything that this Nation stands for. Nevadans know this is unacceptable. Nevadans know many of them have not yet hit bottom.

We need leaders who will fight to keep people in their homes, to keep a roof over their heads. I'm focused every day on how we can get our State back to work and how we can help Nevadans stay in their homes. We have taken some steps, but it's not nearly enough.

We need to find real solutions that write down the principal of properties that are underwater. We need to focus every day on how to keep people in their homes, improve their neighborhoods, and get people back to work.

We cannot succumb to those who want our housing market to hit bottom while leaders in Washington provide little or no relief whatsoever. Where do we go from here, and I want to share a very quick story, Madam Chairwoman. I had a constituent call me up several months ago. I won't mention his name because he hasn't authorized me it do that. He called up and told me that he had never missed his mortgage payment in his life, he paid his mortgage of $800,000. His house is now worth $400,000. He went to his bank and asked for a mortgage modification. They told him that he had to be in foreclosure. That's not true. That's what they told him.

He told me the hardest thing he ever did was to not pay his mortgage. He had never missed a payment in his life, but in consultation with the bank, he did exactly what they told him, and he went in foreclosure, and then he started mortgage modification negotiations with the bank. This went on for 10 months, where they lost his paperwork on numerous occasions, and they kept changing people who were supposed to be working and helping him out.

At the end of 10 months, he received a notice from the bank that they had sold his home. This is absolutely outrageous, and when I tell you that is not the first and only situation like that, you can take that to the bank.

So where do we go? Moving forward, we must continue all of our efforts, public and private, to provide homeowners with the assistance they need to get out from underwater on their mortgages, avoid foreclosure, and stay in their homes.

At the end of the day, these programs will not work unless the banks and Freddie and Fannie are willing to participate. To that end, we should continue to pursue government options to encourage banks to refinance and modify mortgages, explore public/private partnerships like HOPE NOW to engage the private sector in these efforts, and to encourage the banks, Freddie and Fannie, and other lenders to work with the homeowners.

What we cannot do is do nothing. And with that, I thank you very much, Madam Chairwoman, and I'm anxious to hear what our witnesses have to say and the solutions that they can provide. Thank you, and thank you for having this hearing in my congressional district, which has been hit so hard by the current crisis.

Chairwoman CAPITO. Thank you. Next, we'll have Mr. Heck's opening statement. He has been very active on this issue, as many of you know, and he has also has introduced a bill I'm certain he will talk about, H.R. 4172.

Mr. Heck?

Mr. HECK. Thank you, Chairwoman Capito, and thank you for driving out here to Las Vegas to hold this field hearing today, "An Examination of Potential Private Sector Solutions to Mitigate Foreclosures in Nevada."

Now with Nevada's ongoing foreclosure crisis, and having experienced the highest foreclosure rate in the country, this hearing is long overdue. I also want to thank my colleague, Congresswoman Berkeley, for participating today, as well as all the witnesses for taking the time to be here and give us your perspective of what's going on at ground zero for the foreclosure crisis.

I often compare the State of Nevada to the marines, and that is the first in and the last out. We were the first State into the economic recession and because of our economy's reliance on tourism, unfortunately, we'll probably be the last out.

So, the numbers have already been stated, but we have had hundreds of thousands of people affected by foreclosure, and hundreds of thousands more who are still underwater. Approximately 42,000 individuals with Fannie and Freddie Mac have been able to avert foreclosures through modifications or short sales and deeds in lieu.

Additionally, about 43,000 individuals have received Fannie or Freddie refinances, with 10,000 of those refinances carried out through the Home Affordable Refinance Program, or HARP, and while I applaud the Administration's efforts in providing programs to individuals to help them stay in their homes, based on the numbers I just stated, this has simply not been enough.

It's very obvious that more needs to be done to help not only Nevadans, but Americans across the country who are struggling to stay in their homes. More needs to be done on the front end to help individuals avoid foreclosure and stay in their homes, and more needs to be done on the back end to help give individuals who suffer foreclosure a second chance at homeownership.

Earlier this month, as the chairwoman mentioned, I introduced H.R. 4172, the Second Chance at Homeownership Act, a process that actually began 8 months ago, based on the constituents who were coming to our office, asking for help with their housing issues, and talking to my housing case worker, there were certain programs available for different categories of people, but the one thing she said is we have nothing to offer for somebody who has already lost their home, and now could afford a home, if they could only get the loan. But they can't, because of that foreclosure or short sale on their credit report.

So this legislation establishes a program within the FHA, the Federal Housing Administration, to provide a guaranteed home loan to individuals who were previously foreclosed on. Specifically, H.R. 4172 provides a guaranteed, 30-year fixed-rate mortgage to individuals who have not been delinquent on their rent payments for the previous 12 months, have not been convicted of fraud or have not strategically defaulted on their previous mortgage, and do not have a net worth greater than a million dollars.

Additionally, this legislation goes a step further in that it helps to ensure that an individual will stay in his or her home and avoid future foreclosures by establishing certain requirements on the mortgage itself. These requirements include establishing a maximum loan limit, and capping monthly mortgage payments at no more than what the individual had paid each of the previous 12 months in rent.

If enacted, this legislation, paired with the numerous other foreclosure mitigation programs out there, will provide a solid foundation of resources for individuals, no matter where they may be in the homeownership process.

To help establish this foundation of resources for individuals, today we will hear from witnesses who represent the private sector and see what these entities have been doing to mitigate foreclosures in Nevada. Hopefully, there will be some lessons learned that we can take back to Washington. I'm sure that we'll find the testimony both interesting and innovative.

Again, thank you, Chairwoman Capito, for holding this field hearing today, as well as Representative Berkley for attending and listening to today's testimony.

I did speak with Senator Heller prior to the hearing as well. Unfortunately, he was unable to attend due to his Senate schedule, but he forwarded me his statement to enter into the record.

Chairwoman CAPITO. Without objection, it is so ordered.

Mr. HECK. One thing I would like to highlight in Senator Heller's testimony is his comment that Congress needs to develop policies that not only promote responsible homeownership, but also job creation, in order to ensure that Nevada and our Nation will experience economic growth that promises optimism and prosperity. Senator Heller is definitely correct in his statement. Job creation and homeownership go hand-in-hand.

In addition to finding ways of promoting responsible homeownership, we also need to develop and strengthen our job creation efforts so that millions of Americans out there will be able to achieve homeownership.

With that, I look forward to everyone's testimony today, and I yield back the balance of my time.

Chairwoman CAPITO. Great. That concludes our opening statements, and I will recognize each witness individually before you give your statements.

I do have a little timer here. We're not so great at keeping our time. But it is useful, so I'll put it up here and you can see it sort of blinking, once we get to 5 minutes, and then we can get to the question part.

Our first witness is Verise Campbell, deputy director, the State of Nevada Foreclosure Mediation Program. Welcome.

STATEMENT OF VERISE CAMPBELL, DEPUTY DIRECTOR, THE STATE OF NEVADA FORECLOSURE MEDIATION PROGRAM

Ms. CAMPBELL. Thank you. Madam Chairwoman, and members of the subcommittee, thank you for the opportunity to appear before you today. My name is Verise Campbell and I am the deputy director for the State of Nevada Foreclosure Mediation Program.

Prior to joining the Nevada Administrative Offices of the Court, I served as the administrator for a large scale international development company, and as the director of administration for the Cosmopolitan Resort and Casino, and also as a deputy municipal clerk for a southern New Jersey municipality.

The State of Nevada appreciates your willingness to come to our State and learn firsthand the nature of our foreclosure crisis. We hope you will come away with an appreciation for the hard work of many individuals who are providing assistance to homeowners in our State on a daily basis.

Nevada has endured the Nation's highest foreclosure rate for more than 5 years. Although the root cause of the problem is complex, two key factors seem to remain constant: high unemployment; and negative equity.

Nevada leads the Nation in the number of negative equity mortgages, which are those home loans that are underwater or upside down. More than 60 percent of Nevada homeowners are underwater and unable to refinance due to negative equity.

In addition, it is estimated that Nevada has the Nation's largest share of outstanding subprime and adjustable rate mortgages. These loans continue to adjust to new rates, and because of negative equity, borrowers are unable to refinance.

Nevada's unemployment rate exceeds 12 percent and continues to fuel uncertainty in the housing market. The prospect for default remains high. High unemployment and a collapse of the housing market has left many Nevadans underwater and many homeowners unable to pay their mortgages.

All of these factors have made and continue to make finding solutions to the foreclosure crisis a high priority for many groups who are working together in Nevada to tackle the problem.

Last week, the State of Nevada Foreclosure Mediation Program was honored to participate in the Home Means Nevada event hosted by our governor, Brian Sandoval. This event attracted more than 4,000 homeowners in Las Vegas. They were able to meet with their lenders and discuss loan modifications and alternatives to foreclosures. I actually witnessed a homeowner who received a permanent loan modification at that event. It's not in my written statement, but there were 100 Bank of America representatives there, and there were 60 Wells Fargo representatives there.

Such events are now commonplace in our State, but that was not always the case. In 2008, homeowners began to report difficulty in meeting with lenders to discuss their reasons for hardships that led to a default. In response to the foreclosure crisis, the 2009 Nevada Legislature passed A.B. 149, establishing the State of Nevada Foreclosure Mediation Program.

The Nevada Supreme Court was tasked by the legislature with adopting rules to govern the Foreclosure Mediation Program, as well as designating the entity that would serve as the administrative entity.

The Administrative Offices of the Court was chosen as the administrative entity. The primary focus of the Foreclosure Mediation Program is to provide a forum to bring eligible homeowners and lenders together to discuss alternatives to foreclosure in accordance with the governing foreclosure mediation statutes and rules.

The law creating the program specifically directed the Foreclosure Mediation Program to provide an opportunity for homeowners and lenders to meet and discuss foreclosure alternative options, be it a loan modification, an agreement to relinquish the home through a short sale, or other alternatives. A.B. 149 went into effect July 1, 2009. My first day on the job was July 1, 2009.

The entire infrastructure of the State of Nevada Foreclosure Mediation Program had to be built, and it had to be built in short order. It included establishing offices, hiring staff, creating forms and procedures, and most importantly, we had to identify a pool of mediators.

Despite the odds, our program held its first mediation 6 weeks later. Through community, government, and public collaboration, much work was done in those 6 weeks to develop our program.

The program initiated ongoing training opportunities for our mediators. We worked in partnership with the staff at the United States Department of Housing and Urban Development; Freddie Mac; and the United Trustee Association; as well as local agencies including the Clark County Neighborhood Justice Center; the Legal Aid Center of Southern Nevada; the Financial Guidance Center, formerly known as Consumer Credit Counseling; the Nevada Foreclosure Prevention Task Force; and Nevada Legal Services.

These training opportunities exposed the mediators to current legislation, Supreme Court opinions related to the foreclosure mediation program, government and lender mortgage assistance programs, foreclosure fraud, homeowner education programs, and enhanced mediation skills.

The State of Nevada Foreclosure Mediation Program has worked with private lenders, Fannie Mae, and HUD-approved counseling agencies as well to develop our curriculum. The program enlists on a regular basis feedback and suggestions from organizations such as those mentioned on a regular basis because that's the only way we can stay progressive. That's the only way we can attack this problem, we can attack this issue in short order.

Since September 2009, the program has held nearly 16,000 mediations—we are only less than 3 years old—with more than 11,000 of that 16,000 not resulting in foreclosure.

As a non-judicial State, Nevada foreclosure filings begin with a filing of a Notice of Default at the County Recorder's Office, and it concludes with a trustee sale. Once a Notice of Default is filed, a homeowner of an owner-occupied residential property can choose to participate in the program, which essentially gives the homeowner an opportunity to actively participate in meaningful dialogue with their respective lenders. Foreclosure mediation is cost-effective and it's efficient.

To participate in our State, eligible homeowners must submit their election form with their $200 fee and they also must indicate on the form whether or not they would like to participate. They can relinquish their right on that same form, if they are not interested in participating in the program.

The success of our program is tied directly to our governing legislation. Certain requirements are placed on the lender once a homeowner requests mediation. These requirements dictate if a beneficiary will be allowed to proceed with foreclosure.

The law requires that the beneficiary attend the mediation and bring each document required. Those documents include the original or certified copy of the deed of trust, the mortgage note and each assignment and endorsement, as well as a current appraisal or brokers price opinion, and a confidential proposal. They must also participate in good faith and demonstrate the authority to modify the loan.

If the documents are not produced, then the program will not allow the beneficiary to proceed to the trustee sale.

In the first 6 months of our current fiscal year, between July 2011 and December 2011, beneficiaries were unable to produce the proper documentation 36 percent of the time. The requirement to produce the proper documentation took on added significance as the revelation of document robo-signing by a number of banks demonstrated a breakdown in the document process.

Our requirement to produce original certified documents ensures accountability on behalf of the lender. Failure to comply with these requirements can result in the beneficiary being sanctioned. A District Court can impose a fine and, ultimately, the beneficiary is unable to foreclose on the home. This was recently reaffirmed in 2011 in two Nevada Supreme Court rulings: *Passillas* v. *HSBC Bank USA*, and *Leyva* v. *National Default Service Corp*.

In both of these cases, the Nevada Supreme Court unanimously held that lenders must strictly comply with the Foreclosure Mediation Program's production of documents provisions, as well as other statutory requirements. Failure to do so is sanctionable by the District Courts. Failure by beneficiaries to comply with the statutory requirements will prohibit the beneficiaries from concluding the foreclosure process.

Ironically, the requirement for proper documents has nearly halted the filings of notices of defaults in Nevada. In October 2011, a new law, A.B. 284, went into effect requiring beneficiaries to file a copy of the deed of trust, the mortgage note, and each assignment and endorsement when they file the Notice of Default.

Last month, the Mortgage Bankers Association reported Nevada showed a large uptick in 90-day delinquencies. For the past few months, banks have indicated that the requirements of A.B. 284 are too difficult with which to comply. Consequently, Nevada's foreclosure problem is masked as homeowners go into default, yet a Notice of Default is not filed by the bank. In September 2011, nearly 5,000 Notices of Default were filed in the State. The following month, that number dropped to 40.

Foreclosure mediation fosters meaningful dialogue. Bank and beneficiary representatives have indicated in recent weeks they will soon begin filing Notices of Default again in Nevada after a review of their documentation and the announcement of the Federal agencies and State attorneys general historical mortgage servicing settlement in February 2012. Although Nevada's Notices of Default have climbed from a record low of 40 filings reported in October 2011, they are still relatively low, fewer than 400 for the month of February 2012.

This is important for many homeowners in Nevada because the foreclosure mediation election form is included in the Notice of Default packet. In most instances, the foreclosure mediation program offers the first and only opportunity for homeowners to meet face-to-face with a lender. Without the filing of a Notice of Default, it is up to the beneficiary to reach out and help homeowners regarding their default status.

If this is not done, homeowners are left with the worry and frustration of not being able to meet their obligations, discuss possible solutions to stay in their home, or a way to gracefully exit from their obligations.

Most homeowners want to resolve a default. Homeowners want alternatives to foreclosures and they want banks to consider loan modification through the various government and lending programs available to them. While the major lending institutions have instituted programs to assist homeowners, I often wonder if there is a unified plan throughout these vast and multi-layered organizations to reformulate policies and procedures to create systems that will assist the organizations with compliance with Nevada's foreclosure laws and other related legislation across the Nation.

The problem of communication between lender and homeowner remains, due to the overwhelming number of homeowners in default or in danger of default.

Our program is identified as a model for four other foreclosure mediation programs throughout the country: Washington, D.C.; Hawaii; Washington State; and just this week, we learned, Oregon.

These programs have modeled their foreclosure mediation program legislation after the Nevada law. We did not invent foreclosure mediation. In fact, we borrowed from other programs, including those in Ohio, Connecticut and Philadelphia.

We recognize that this is an ongoing process of learning and sharing, and as we work together towards a common goal of reducing the number of foreclosures in Nevada and nationwide, we continue with the dialogue with these other States as well.

In closing, participation by homeowners and lenders in mediation programs has proven to be a successful method in bringing homeowners and lenders together to discuss alternatives to foreclosure and to keep homeowners in their homes where possible. Our program, however, is part of the foundation of what is required to rebuild the American dream of homeownership. We as a community, as a State, and as a Nation, must keep the focus on strengthening foreclosure mediation program efforts around the country.

We must also keep the focus on improving communication and restoration of faith by the American people in mortgage and lending institutions. And as was mentioned earlier, we must also keep the focus on dramatically decreasing unemployment, and stabilizing the housing market, to truly make the necessary strides to turn this crisis into a triumph. Albeit difficult, it is not impossible if we remember that in this crisis, we are together as one. We are working hard together to build new American dreams that still include homeownership.

Thank you for allowing me to address this committee.

[The prepared statement of Ms. Campbell can be found on page 32 of the appendix.]

Chairwoman CAPITO. Thank you. Our next witness is Leonard Chide, president and executive director, Neighborhood Housing Services of Southern Nevada. Welcome.

STATEMENT OF LEONARD CHIDE, PRESIDENT/EXECUTIVE DIRECTOR, NEIGHBORHOOD HOUSING SERVICES OF SOUTHERN NEVADA, INC. (NHSSN)

Mr. CHIDE. Thank you. Madam Chairwoman and subcommittee members, first, thank you for inviting us as a nonprofit to come down here to speak with you today. To give you a little bit of a timeline, back in 2008, when the crisis was really ramping up here in Las Vegas, we, like many nonprofits, found ourselves scrambling to ramp up our staff, to train our staff on the various programs that the government had come out with, as well as the internal programs that the bank had. And those are constantly changing. So we are constantly trying to catch up to understand exactly what was needed so that we could advocate on behalf of the homeowners who were potentially going to lose their homes.

I can speak about it personally because I actually fell into that trap. One of them was, as you said earlier, the bank that I had my loan with—I owned a construction company prior to becoming involved with this nonprofit.

Construction in July of 2007, long before anybody says anything was happening as far as the recession and everything else, we got our first call that said you need to renegotiate your contract, you need to redo everything, and oh, by the way, I don't know that we're going to pay you anymore because the project is going belly up. Hence, loss of construction company.

Thankfully, I was the one of the ones, though—I actually had over 2 years of savings and a 401(k) and other things to continue to take care of my household. Many folks didn't have that many years of funds available. I talked to my bank, which was Wells Fargo, explained to them that I lost the company in 2008. Here it was 2010, trying to get them to mediate with me, and the answer was, "No. You are not delinquent. You don't qualify for the HAMP program." The HAMP program was minimal 90 days delinquent. I did this for almost 6 months.

Finally, I bit the bullet and went delinquent. What has that done for me today? My credit is shot. I can't get refinanced now. I can't even get loans of any nature. Yet, the only reason I ever went there is because that was the only way I could get them to help me. It took another 10 months after that to get them to finally come to the table, and even then, it was only because of my recommendation that we go from—I had 23 years left on my mortgage, let's extend it back out to 30 years.

Can you cut my interest rate? Nope. You have been delinquent. You are kidding me. I went delinquent because it was what you, as the bank, instructed me to do. Unofficially, by the way. They would not go on record with that piece of it.

Long story short, I finally got it. No principal reduction, no reduced interest rate, and every time you speak to them the sense is well, you were delinquent, therefore no, you don't qualify.

Jump to 2009, we had our staff itself ramped up, we have had our staff trained. Most of the government programs just were not working for most folks though. Stipulations and stuff did not make it work for them.

The biggest issue we are running into really isn't so much that people didn't want to pay for the homes or pay for the mortgages; they were unemployed. People that we were able to assist in getting modifications in 2008 and 2009, find a job, get the modification, and lo and behold, they would get unemployed again. Therefore, they were back needing modification, thanks. We're not happy about that.

Right now one of them—I'm going to jump all the way up to 2011. It was a very strange year in that there were ups and downs when it comes to the number of clientele that we helped. We saw one quarter where literally we saw 50 percent of our cases go away. Why? People had given up.

We have seen that today most individuals have no desire to even proceed in the modification process unless they can get a principal reduction. Put yourselves in the banks' shoes, and this is what I try to explain to the clients. Realistically, if I came to you and asked you to loan me $10,000, and you did, through no fault of yours, and no fault of mine, that investment went south. Would you expect me to just walk up to you then and say you know what, forgive me $5,000 of it.

That's how the bank makes its money. That's what they are there for. Do I agree that their bottom lines are there? Yes, I could say that they probably could afford it. But I can't say that I blame the banks for not being willing to give principal reductions.

In the last 3 months since A.B. 284 came out, we have seen something that to me has probably been one of the best ways to look at it, and that is we're finally getting banks, that while they are still not doing principal reductions, what they are doing—I included it in your packet—they are actually going in and do a confirmed loan.

Like you, Ms. Berkley, we had a lady—ironically she is in the mortgage end of it, for one of the major banks. It was one of the vice presidents—purchased a house for $780,000. Her house today is worth about $320,000.

She works in that industry. She loans the money, but she didn't—and actually it was a different bank than she has the mortgage through. They ended up going and deferring about $350,000 of her note, extended it out for 40 years, reduced her interest rate. But at least now, she can afford to stay in that house.

The win/win there is that she can stay in her house, her mortgage payments are now reasonable, and from the bank's standpoint, they actually have a chance now of getting all of their money back.

Because one of the things that you find, when you talk to many of the residents, is they want principal reduction and principal reduction only. Otherwise, they don't accept what they have been offered. The problem with that is the banks don't want it because they are guaranteeing themselves losing the money.

One of the questions that has always been asked is if we reduce it $50,000 today, and your house goes up in the next 5 years to where it's now recouped that $50,000, are you going to give it back to the bank? And every homeowner says the same thing: No.

Once again, I can't blame the banks, if the homeowner is not willing to take the reduction and then give it back later when the house goes up because you just gave them $50,000 on its face. That's one reason why I think this program has been, in my mind, a win/win. The bank still has a chance to collect all of its money, it's deferred, zero percent interest on the amount that they have deferred to the back end of it. Basically, it's like a balloon payment at the end of the 40 years, or should they decide to resell or rebuy their house somewhere in that next 40 years, at that time, the $80,000 or $50,000 or whatever is deferred would then be paid to the bank.

So it does give everybody that hope and that chance that now they can stay in their home, as well as they are not paying the full ride, at least here in the beginning.

That's really all I have. Thank you very much.

[The prepared statement of Mr. Chide can be found on page 39 of the appendix.]

Chairwoman CAPITO. Okay, thank you very much.

Our next witness is Janis Grady, treasurer and director, Nevada Association of Mortgage Professionals. Welcome.

STATEMENT OF JANIS GRADY, PAST PRESIDENT AND CURRENT TREASURER AND DIRECTOR, NEVADA ASSOCIATION OF MORTGAGE PROFESSIONALS

Ms. GRADY. Thank you very much for having me here. I was the president of the Nevada Association of Mortgage Professionals for 2 years, and recently turned that over. So I have been very involved with a lot of the mortgage brokers and bankers in this industry. I have seen us go down with a lot of problems.

Some of the situations, we do have lost jobs, which have also decreased income, where people are just now getting by. We have property values that are underwater, some up to the amount of 200 percent.

We had temporary bank modifications that have provided a short time of relief, but now some of those are coming due and the payments are going to increase again.

Mortgage qualifications for loans have tightened up to the point that many no longer qualify, for one reason or another.

In the mortgage industry alone, in the State of Nevada during the peak, we had 2,200 mortgage brokers in this State. We now have 161, and 80 mortgage bankers. So that's basically a loss of 2,000 small businesses that were renting spaces, paying utilities, hiring staff, using courier businesses, title companies, escrows, the restaurant, the sound shop next door—2,000 just from one industry alone.

Also, the people in the market, we had 20,000 mortgage originators. We now have about 2,000. So we have lost 18,000 jobs there in this industry.

I have a solution on that is when we come up with all these different programs, including Congressman Heck's second chance program, if we can utilize the local brokers and bankers to execute these programs on the ground.

Another situation we have is concerning appraisals. With the implementation of the Home Valuation Code of Conduct, HVCC is what it's referred to, it mandates that an appraisal be ordered through appraisal management companies.

Now what this has done is created a problem of increased fees because now you have a middleman there, and the appraisers are now making less money, sometimes a third of what they used to make, and so the consumer has to pay more and the appraiser is making less, just to support a middleman that is mostly owned by the banks. And it was originally set up to avoid this type of situation, that they own the mortgage management companies, appraisal management companies.

Part of my solution is, along with these local programs, if we can use the local appraisers and knock out going through the management companies, and that way we'll get our local appraisers back to work, and if we use the system like the VA has, where they do a rotation, so it's not one appraiser who is getting all the work, but it rotates through every licensed appraiser in the State.

As for home evaluations, we have a problem there, where appraisals are comparing dollar for dollar, they're comparing houses with upgrades against houses with cement in the toilet and holes in the walls, that have been destroyed by previous tenants who are upset with the banks.

So you might have a house that is on 3 acres, everything is upgraded, and it is being compared and given the same value as one that has been totally destroyed. That is not fair and it keeps pulling down our values in this State and keeping them down.

I can't do anything about the laws federally, but we can do something here locally and make it a requirement that the appraisers have to include upgrades in their appraisals and take that into account, and if someone did $100,000 worth of upgrades, then that should be taken into account to give a proper value on that house.

In regards to in-State originators and out-of-State originators, per the mortgage lending division, they are—at the time of renewal in December, there were 1,930 mortgage agents licensed, so 1,930 mortgage agents licensed in the State of Nevada.

Of these, 756 are loan officers who are out-of-State. That's 40 percent of our loan officers licensed to do loans in Nevada are from out-of-State. So, we only have 60 percent working here.

What I suggest on that is that out-of-State loan officers who are licensed here are required to come into the State to do their continued education on Nevada law. And that does—it doesn't put a lot of money into the State, but that's 756 people coming into the State for a weekend to do their continued education to get licensed and they have to come back every year in order to renew that license. So that helps a little bit.

Now, I'm going on to primary residences—50 percent of the monthly purchases right now are cash purchases. So if there are 3,000 purchases closed, there are probably 1,400 or 1,500 that are financed, using the 2,000 loan officers. So right there, it wipes out a lot of our business for the mortgage industry.

Right now, Fannie Mae does have in place a 30-day waiver where on their properties investors cannot put bids in on those properties for 30 days, giving the chance for primary residents, locals to look at the properties and put in a bid.

There is a situation where there are locals looking for a home, they put in their bid, they had to get financing, but a cash investor comes along and that home is taken away from them right there.

So to prevent that happening, I'm proposing that on any sales on MLS, on the REO and the foreclosures, that those be given a chance, opened up for owner-occupied bids before going to investors for 30 days. That way, we'll also help prevent the State from becoming a rental state. Because we want to get our people in homes.

On the downpayment assistance programs, there are over six downpayment assistance programs, but there are a lot of loan officers who don't know about those programs. So I'm suggesting that we put it in as a requirement on the continued education, while we are trying to pull out of this mess, and require all loan officers, including those out-of-State have to find out and take a class on downpayment assistance programs so that they know how to help get these people into homes.

Then in regards to strategic foreclosures, we do have the HARP program, HARP 2 coming out, which will definitely help, and that's something I have been campaigning for 3 years, trying to get 30-years streamlined to help lower people's interest rates. But there are attorneys who are on TV pushing strategic foreclosures, and to me that forwards and continues defrauding the lender, which is not okay, and the bar needs to do something about it.

Thank you very much.

[The prepared statement of Ms. Grady can be found on page 48 of the appendix.]

Chairwoman CAPITO. Thank you very much.

Our next witness is Sue Longson, vice president, SCE Federal Credit Union. Welcome.

STATEMENT OF SUSANNE B. LONGSON, VICE PRESIDENT, BUSINESS DEVELOPMENT AND COMMUNITY RELATIONS, SCE FEDERAL CREDIT UNION, AND FORMER PRESIDENT, SONEPCO FEDERAL CREDIT UNION

Ms. LONGSON. Thank you very much. Chairwoman Capito, Representative Heck, Representative Berkeley, and distinguished subcommittee members, thank you for inviting me to testify at this very important field hearing.

As you are aware, Nevada, and more specifically the greater Las Vegas area, has been ground zero for the unemployment and housing crisis that has plagued our Nation for the past few years. Even today, as many other States are beginning to see signs of recovery, Nevada is still deep in troubled times.

My name is Susanne Longson. I am the vice president of business development and community relations for SCE Federal Credit Union, a $560 million credit union located Irwindale, California.

Until recently, I was president of SONEPCO Federal Credit Union, a $55 million credit union located in Las Vegas, which was organized to serve the employees of NV Energy and their family members. I served as president and CEO for over 16 years, until the credit union merged with SCE Federal Credit Union at the end of 2011.

I am proud to be third generation credit union person working in the credit union movement. My grandfather organized the first credit union in Nevada in the late 1930s, and over 400 in the western United States. My parents also worked in the credit union movement.

I am pleased to come before the committee on behalf of credit unions that provide financial services to over half a million consumers here in Nevada and nearly 94 million in the United States. The recession and the housing crisis have left credit unions battered and bruised, especially those here in the Silver State. Credit unions are not-for-profit financial cooperatives, owned by our members who democratically elect our volunteer board of directors.

We do not have stock, are not publicly traded, and return all profits to our members in various forms. The credit union model of operations is different from others in financial services, as we focus on what is best for our members.

To date, no credit union has taken a dime of taxpayer money, nor received a government bailout.

Prior to this crisis, credit unions rarely used the terms we frequently hear today. Most credit unions had never processed a foreclosure, short sale, or loan modification. As I speak about it in my written testimony, SONEPCO has never foreclosed on a member during this financial crisis.

Credit unions are about people helping people, and here in Nevada, we live up to this mantra. In SONEPCO's first 52 years of operation, our total loan losses were $1.3 million. In the last 4 years, our loan losses were $4.8 million, more in the last 4 years than in the previous 52 years.

For a $55 million credit union, that is significant. At credit unions, losses are taken directly from capital, which means if we aren't breaking even, our capital is depleted. This is an alarming problem that will require congressional action to fix. My written testimony goes into further details about this issue.

Credit unions were not responsible for the types of loans that brought on the housing crisis. Our loans were and continue to be strongly underwritten, and our loan products are designed to best serve our members' needs. In fact, during the period leading up to the crisis, several credit unions were rejecting member requests for exotic mortgage products. We simply said no, and were largely able to avoid the housing bubble.

However, as property values rapidly declined and unemployment skyrocketed, credit unions suffered losses through no fault of our own. In the past 4 years, at least 6 credit unions were either liquidated or merged with out-of-State credit unions, and SONEPCO was one of those. Thankfully, however, SCE Federal Credit Union retained all of the local branches and employees.

That is another problem for the 2.7 million residents of Nevada, a drain of locally-owned financial institutions. As of today, only 21 credit unions remain in Nevada.

If this committee is in search of solutions to address the ongoing problems here in Nevada, I highly recommend you do everything possible to empower local financial institutions. While large Wall Street banks have the liquidity to lend, taxpayer or otherwise, they have not.

Credit unions, on the other hand, are working with our members and because we are here on the ground and can address problems head-on. My written statement shows how loan modifications and pursuing alternative options have kept SONEPCO members in their homes. While our regulators opposed these options, we stuck to our mantra and found ways and solutions that benefited our members.

Finally, in my recommendations I state that there are several legislative remedies before Congress that will help credit unions continue to do the right thing. From addressing credit union examinations—and thank you, Chairwoman Capito for that—to passing legislation allowing credit unions to make a new small business loan, everything we support supports the credit union member, our community, and our State.

I look forward to our dialogue today, and I hope you can provide insight for solutions to this crisis. Thank you.

[The prepared statement of Ms. Longson can be found on page 51 of the appendix.]

Chairwoman CAPITO. Thank you very much.

And our final witness is Mr. Keith Lynam, a REALTOR® with Windermere Prestige Properties, on behalf of the Nevada Association of REALTORS®. Welcome.

STATEMENT OF KEITH LYNAM, REALTOR® AND SALES ASSOCIATE, WINDERMERE PRESTIGE PROPERTIES, ON BEHALF OF THE NEVADA ASSOCIATION OF REALTORS®

Mr. LYNAM. Good morning, Madam Chairwoman, and members of the subcommittee. My name is Keith Lynam. I am a REALTOR® with Windermere Prestige Properties and a member of the Nevada Association of REALTORS®, and we thank you for recognizing the unique situation we are experiencing in Nevada by having the subcommittee field hearing in Las Vegas today.

As you know, Nevada is the hardest-hit State for foreclosures and has been leading the Nation in foreclosures for 5 straight years, according to RealtyTrac, a company that tracks foreclosure data across the country.

People in Nevada are frustrated. They are angry, and most are underwater. Numbers released for the fourth quarter of 2011 by the research firm CoreLogic indicates that 61 percent of homeowners in Nevada with mortgages are underwater. That compares to 22.8 percent nationwide. We are almost 3 times more likely to be underwater here in Nevada than anywhere else in the country.

The next two States with the highest proportion of underwater homeowners are Arizona, with 48 percent, and Florida with 41 percent. You are 50 percent more likely to be underwater here than even in the second and third most hard-hit States.

Clearly, the magnitude of the problem in Nevada is unique and very serious, and even though the hearing is entitled, “An Examination of Potential Private Sector Solutions to Mitigate Foreclosures in Nevada,” I was stumped, and I’m quite confident that’s not what you wanted to hear, and probably not what you expected to hear.

So I did what all great minds do in today’s world, I went to Facebook. And to Twitter. And asked: “What should we do? What is the private sector solution to what we are faced with.”

Shane Kovacs of Arizona, one of my friends, said: “I think we need to find a way to help those who are simply just underwater. Most of the programs are for those who are already in big trouble financially. The institutions need to open up fairer loan programs for those of us who have good credit and sufficient income. We are simply trying to improve our financial situation. If we can, we can also buy and further stimulate the economy. There has to be a better way.”

Robin Yates, the broker and owner of Windermere Prestige Properties here in Las Vegas, stated: “We need to reward those who have continued to make those payments, but are simply upside down, by refinancing at a lower interest rate for those loans not backed by Freddie and Fannie Mae. Ramp up the cooperative short-sale or deed-in-lieu programs for those who cannot stay in their home any longer, and I will talk about short sales and there’s a solution that I think might be something that we can talk about further."

I was at the Nevada Hardest Hit program last week as well, and the anger and frustration, while there were some great stories that come of it, but the anger and the frustration overall was palpable. You could see the people who were there that were just simply asking for help from their banks.

They were asking for someone, other than the 25-year-old person who answered the phone, who just took the job 3 months ago and was reading from a script, could do for them. They wanted help. They don't want to not make their payments. They don't want to not know what's going to happen.

In my mentions to them, and the reason why I am so stumped is because the big business, the big government lines have become so blurred that they are unrecognizable today. I think people are as afraid of big business, more so than they ever have been afraid of big government. They don't know where to go. They don't know how to get to the bottom of what their solution is, and why they're afraid every day as they live. And it's frustrating. And so it does have us stumped.

What can we do? Where are we going? I want to leave you with this, and hopefully you never have to experience this, and I would encourage you to spend a day with one of your local REALTORS® because this is something that we have to face every day. But I hope you have never had to work with a huge financial institution, try to weave through the switchboards of madness, have to live with the daily mind-boggling frustration of trying to get someone to answer a simple question. For example, "How could you lose the same facts 43 times? What difference does it make if a hardship letter is dated 32 days ago, and you declined the file and eliminate it from your system, what difference does it make?"

These are mind-boggling real experiences that we have to go through every day, but specifically going through this process and finally getting the relief, the great sense of relief, that your loan has finally been modified with payments that make sense for the bank and the homeowner, and the relief that goes with that, only to have a knock on the door by a representative who wants to tell you that your home has been foreclosed on after you have been approved for a modification.

The foreclosure hasn't been just a day ago, it hasn't been a week ago. It had been over 2 months ago when you finally get the knock. A real live situation, the very next day you get another knock on the door and it is the Fed Ex guy and he hands you the approved modification paperwork on your now foreclosed-upon home.

Well, I have. That is my story. And the unbelievable experience of having to go to your now 7-year-old daughter and explain to her what had just happened. How do you explain it?

So my final thought is I guess I'm not stumped at all. Madam Chairwoman and members of the subcommittee, with all your power and all your goodwill, it may not be popular to say, but you are the only ones who can remove that kind of arrogance. You are the only ones.

So we look back to you for the answers that I know that are out there, and you are the only ones who can help us today. So I thank you for having us come in.

[The prepared statement of Mr. Lynam can be found on page 60 of the appendix.]

Chairwoman CAPITO. Thank you very much.

Great testimony in all cases, and what we are going to do now is move to the question portion, and I am going to stick to the 5 minutes. I will question for 5 minutes, and then Congresswoman Berkeley for 5 minutes, and then Congressman Heck, and then we'll go back around, if we need additional questions.

I really don't know where to start on my questions. I would, Mr. Lynam, like to ask you, some of the government programs were supposed to have forestalled foreclosure if you are in a loan modification, and you are telling me that's not in reality what has happened in your case, and probably a lot of others. Is that a fair statement?

Mr. LYNAM. That is a fair statement and I grant you, this was in 2008 when this happened, but it happens today. It happens today, and part of it is the Freddie and Fannie Mae guidelines where they will tell you that we are not going to put off a trustee sale, no matter what.

We have short sales in front of them that we are waiting for approval letters, that we get foreclosed on, and it just happened to me on a listing of mine a month ago.

Chairwoman CAPITO. Let me ask you just quickly, where are the real estate values now? Are they still dropping?

Mr. LYNAM. I think we're, we call it the bump—

Chairwoman CAPITO. Bumping along.

Mr. LYNAM. Bumping along the bottom. We were up to 9 percent last month, in large part because they can't foreclose on properties, in their minds, any longer.

Chairwoman CAPITO. Let me ask you, Ms. Campbell, on the—I think this is a repeating theme in all of your, with the exception maybe of the credit union, is the lack of communication or the difficulty in communication. You are talking about trying to meet with a large financial institution.

I know in my district office in West Virginia, we try to mediate some of this. We don't have the volume, so we can actually do this. But we can see the frustrations from our office. There have been proposals before Congress to try to eliminate that barrier, the communications barrier.

What else can we do here? Do you have any suggestions on that, on the communication aspect?

Ms. CAMPBELL. Madam Chairwoman, just to speak to what my colleague was saying regarding this experience, I can emphatically tell you that it is still continuing today, where there is dual tracking by the lenders where they will do a modification effort, as well as go forward with the foreclosure process.

What else can we do? It has been determined through studies that foreclosure mediation programs that have a mandatory opt-out, right now we are an opt-in program. The homeowner must elect in. A lot of homeowners, because they have become jaded with their lender will not open up their paperwork, so they won't see the form.

But if we had an opt-out program where it was mandatory that they are in the program, then I think we would see more participation, and it would help more homeowners. We receive calls from homeowners, unfortunately, who have not opted into the program and our program can't help them after that.

Chairwoman CAPITO. I would imagine those people, once they see themselves starting to decline, they are already declined to a point, you try to forestall it, you try not to face the reality as quickly—it comes on you a lot quicker than probably you actually say to yourself, I'm in deep trouble here, and then you lose your job or somebody gets ill or you have a personal tragedy.

In your—let's see, who is doing refinancing? In your mediations, you are putting them together in the refinancing, are you finding that people are refinancing into FHA? Or are you seeing it, because it's taking a larger piece of the pie and it's causing concern in Washington because it's putting a strain on that. Does anybody have any comments on FHA lending?

Ms. GRADY. From my knowledge, yes, a lot of people are refinancing into FHA because the guidelines are lighter. But with the HARP 2.0 Program coming out, that should help give some relief to the FHA program because that will allow a lot of people to streamline, just lower their interest rates, rather than anything else.

But as to what she was saying on the mediation and going through foreclosures, still coming about, I would like to comment on that. Because I went through trying to short sale one of my investment properties and I had a cash buyer for $188,000, and we were 3 days away from recording when the bank foreclosed, and sold it for $155,000 in auction. So they lost out on $30,000.

But for programs like this, for short sales, mediation, modifications, if they put in filing with the title companies that they are under mediation, or short sale, and that way when escrow goes to look at the title, they can see something is going on, and not allow the foreclosure to happen.

Chairwoman CAPITO. My 5 minutes has expired. Congresswoman Berkley?

Ms. BERKLEY. Thank you, Madam Chairwoman. May I say, and I don't mean to say this in a condescending way, I'm very proud of all of you. One, for the work that you do to help keep my constituents in their homes; and two, for the remarkable presentations that you have all made so that we can punctuate to somebody that could be of tremendous help to us.

I am amazed, after all of these years of standing on the Floor of the House, explaining what is happening in my State and in my congressional district, how it's still met with skepticism and disbelief that people are suffering in the way they are in this community, and refusing to give the relief that we need.

The idea that we should just allow everybody to hit bottom and not do anything about it is such an anathema to my way of thinking, and it just makes me realize how people in pivotal positions in our Nation's Capital fully do not appreciate what is happening out in the real world. And you are bringing home what is happening in the real world.

When I was a kid, I grew up in Las Vegas. When we bought a home for the first time, I remember my parents getting dressed up because they were going to the bank to see if they could get a loan for the house. The house cost $33,000. That was our first house. It was a party home over by Valley High School.

They were so proud and overwhelmed when they were able to take their family to our first home ever. We became part of the community. We had an ownership interest. We had roots here. It made a difference and it changed the direction of my family. We were somebody, and we owned something for the first time.

For me, dealing with the volume of constituents who contact my office who I am sure felt the same way about their homes as my family thought about ours—and it was just one of those cinderblock party homes that we lived in—it is horrible to me that we haven't been able to do more.

I first discovered that we were moving towards a crisis when I was meeting with the REALTORS®, and they started—I thought—we all thought that the town was hot as a pistol. People were buying and flipping and selling and living and we never thought that gravy train would end. It was the REALTORS® who saw it among the first, and probably the construction companies as well.

But once we knew we were in crisis, my office did a series of consumer meetings with people who had been foreclosed on and we brought the home loan bank representatives from San Francisco in to help counsel my constituents on how they can stay in their homes.

Don't ignore the foreclosure envelope. Open it up, and the advice that they were given at the first few mortgage foreclosure seminars that we conducted was: Contact your lender. They don't want an empty house. They want to work with you so they can stay in their home. They don't want empty homes. They don't want empty neighborhoods.

It wasn't until a few days later when we started getting phone calls back from my constituents, the advice they were given at those seminars wasn't working and it truly was the wrong advice. They couldn't find out who their lenders were, and that was a huge issue. The telephone numbers on their mortgage payments were—there was nobody answering the phone. And if someone did answer the phone, they were not in a position to do anything for them. It got worse and worse and worse. And the number of foreclosures in this community went up and up and up.

I know what we can do with all the lost paperwork, and we have received hundreds of calls on a monthly basis: They lost my paperwork again. I have to start over again. And that's from REALTORS® and people who are trying to stay in their homes.

We have Yucca Mountain. Rather than nuclear waste, which we don't want, why don't we put all the lost paperwork for these mortgage modifications at Yucca Mountain? I'm not sure the mountain can hold all of the lost paperwork that we have experienced. It is an outrage, and until we can get the private banks to work with us, and help modify these loans, or the deferred, I like that suggestion, and while I understand what you are saying about the principal write-down, I still would rather have half a loaf than no loaf at all.

I want to keep these people in their homes. I want their children to continue to go to their neighborhood schools and I want them to be able to overcome this hurdle so when they get back to work and the family starts recovering economically, they are going to have a place to live, and that is their home, probably their biggest investment that they have or will ever have in their lifetime.

So I thank you for your remarkable testimony. I thank you, Shelley, Congresswoman Capito, for coming here and listening to what we are going through. We are ground zero for mortgage foreclosure. We need relief and it can't only be private companies that are doing this. We need some response.

We need response from Freddie and Fannie, we need help from the government, and we need help from the private banks, and until they are more responsive, we are not going to have any progress around here and people are going to continue to suffer. I don't know if the end is in sight, I truly don't, and I thank you all very much.

Chairwoman CAPITO. Mr. Heck?

Mr. HECK. Thank you, Madam Chairwoman, and thank you all. You have all brought a very interesting and different perspective, and I think a much needed perspective to this debate, certainly one that hasn't been heard well within the halls of Congress.

The current CD 3, my district, is the most populous congressional district in the country right now, with 1.1 million people. So multiply that by the number and the percentage of underwater homes, and there is nobody, nobody in the United States, in the U.S. House of Representatives, has more people suffering from this housing crisis than I do. So much so, certainly it's the largest area of case work that we do in our office, and so much so that I went and hired a REALTOR® as my housing case worker. I needed somebody who understood the process.

I can talk to a bank, but I have no idea what they are saying. I don't know the lingo. But I needed somebody, and I see as each one of you were talking about the difficulties with the process, I see my case workers in the audience nodding their heads, yes, we are experiencing that on every case.

Mr. Lynam, first, thank you for sharing your personal heart-wrenching story. It is interesting to see that the fellow who has worked in the construction industry and doing mediation in a non-profit organization is suffering this problem. Somebody who is a REALTOR® in the industry has suffered it. No one is immune from this problem.

Last month, FHA announced the beginning of a pilot program to convert foreclosed properties, or REO's, to rental housing. The initiative will allow qualified investors to purchase pools of foreclosed properties. The investors would then be required to rent the properties for a specified number of years. During the pilot phase, Fannie Mae will offer for sale pools of various types of assets, including the rental properties, with a focus on the hardest-hit areas.

As a REALTOR® working in the market, do you believe a program like that, does that type of program have the potential to assist areas like Las Vegas that have a large backlog of REO's?

Mr. LYNAM. No. Not even close. Put the houses back on the market. They have just admitted to part of the shadow foreclosure, shadow inventory that they now control. If they have the capability of putting it out on the market for rent, put it out for sale.

In Southern Nevada, particularly today, we have an inventory problem. We have an extreme shortage of homes. Less than 6,500, for sure, and it may be even less than 6,000 single family homes are on the market.

Our problem isn't that we have foreclosed homes, it's that the banks, these financial institutions are not selling them. We have renters. We have buyers. Release it and put it on there. And I'll answer this, just, if you want to know what the private sector solution to all this, is to turn off the spigot. Stop allowing the finance institutions to take the money, and not to be a contrarian, but they didn't lose $30,000 on that deal because you had $180,000 and they foreclosed on it for $150,000. They made money because of all the money that they have gotten in their hands. So turn off the spigot and I guarantee you, you will have a private sector solution overnight.

Mr. HECK. Ms. Longson, you talked about how credit unions haven't taken bailouts or taxpayer money and that you have never foreclosed on a member. What are the specific methods that allow the credit unions to be able to be so much more, I guess, accommodating? We heard about the difficulty in communication in these two tracks. The foreclosure track is moving forward while the modification track is also moving forward in the larger institutions?

How has the credit union industry been so successful in this, and is there a lesson learned that we should be able to bring back to the larger institutions.

Ms. LONGSON. SONEPCO had never foreclosed. I do know that some credit unions have had to go to that, through, gone to foreclosure with their members.

But what we do is by far and away, and I can speak to SONEPCO membership because we retain the loans. We have sold very few into the secondary market.

So when we saw early on that there was going to be a problem, as early as late 2007, early 2008, what we started doing was analyzing the value of the home on a quarterly basis. We ran credit scores of our members every 6 months, and then so we looked at their home value and if their credit scores were declining, that spoke to that the member was having difficulty, and we called them.

We said, we see that you are having problems. Can we help you? And yes. Yes. We went to people's homes. Members came into the credit union and we did whatever we could do to help a member stay in their home, if that is what they sincerely wanted to do. And I gave a few examples in my written testimony.

But I wanted to share with you, I looked at the statistics through the end of February, SONEPCO was a very small financial institution, just $55 million in assets. We did $9.5 million in first mortgages. Over 20 percent of that is in workouts at this point, so over $2 million. Every single one of those is current and not delinquent.

So when you deal with your members respectfully, and they want to stay in the home, it's possible for them to stay in the home.

Now, I want to be very honest in saying that the credit union and the board of directors have to throw ourselves in front of a runaway train in the form of our regulator because they wanted us to foreclose. They said, you are going to lose on this. This person can't stay. And we said, yes, they can. And no, we won't lose, and we will not displace a disabled person.

So it's a difficult row to hoe, but I would like to ask, if it's not too presumptuous of me, in all of the programs that have come out, credit unions are often excluded, or I should say not remembered. I would like to encourage Congress, when they are looking at programs, to include credit unions in them so that we can help our members.

And speaking to principal write-down, because credit unions are cooperatives, there is only one place for a principal write-down to come from, and that is our retained earnings, our capital. We can't get our capital back other than through operational efficiencies because we do not have access to secondary capital. Simply put, if that were to happen, it would do us under. We need to have access to secondary capital, and that is a piece of legislation that has been introduced. So just those two things, remember us, and the impact of principal write-down on the credit unions would be severe.

Mr. HECK. Thank you. Imagine a financial institution being proactive in reaching out to their clients before they are in trouble.

Madam Chairwoman, I'll yield back, if we are going to go through a second round.

Chairwoman CAPITO. I have a question, one of the themes has been this behemoth, Fannie and Freddie. We keep tossing the names around, and I would dare say the average homeowner, when they buy a home, have no idea who Fannie or Freddie are, or that their loan has been sold and packaged and sent off and they are getting serviced by somebody else, when their originator was maybe somebody else. The complications in the system are really a lot to grasp for an individual.

When you say "turn off the spigot," Mr. Lynam, I'm sure you are putting them in there because they are up to $150 billion of taxpayer backstop. And in our committee, we have been trying to figure out a way to wind them down.

There are some in the committees who want to wind them down dramatically, like get rid of them in 6 months. I don't fall in that category. I'm for the gradual wind-down to try to get the private sector back in because I think a precipitous wind-down, we don't know what kind of shock it would do to the entire system, and you all are ground zero, so you can imagine what kind of an effect that would have.

Does anybody have any suggestions on how we can pull back on the involvement of Fannie and Freddie and clarify the system more to get that private market back in, in terms of their participation? Is this something—this is very complicated, I know, and very big. Do you have any suggestions?

Mr. LYNAM. Maybe a comment. You're right. You talk to people and the average homeowner, including myself, they want to know who this Freddie and Fannie are and why they are mucking up their lives. Why is their bad marriage affecting now my bad marriage?

Chairwoman CAPITO. Right.

Mr. LYNAM. So solutions, yes. I just go back to Main Street lending, is what I call it, and sitting next to Main Street lending. This would never have happened, had we not been able to have more of an ability for Main Street lenders to fund these loans and you get away from that. But that's all happened. It's already done. And the credit swaps and the billions of dollars of profits have already occurred and happened.

So how do we unwind and unring the bell? Far greater minds. Take it to Facebook. Maybe that's the answer. So, I don't know.

Chairwoman CAPITO. Does anybody else have a comment?

Ms. CAMPBELL. Yes, I have a comment, regarding Freddie and Fannie. We are really deep in this. As you said, it is very complex. When we first started the program, we actually just told our mediators, you are going to get ready to learn a new lexicon. It is going to be a whole new language.

I called it a "black hole" when I first started. Now, 3 years into this, I'm somebody who is educated. I have a master's degree. I bought two homes and I had no clue.

But what really surprised me is the lending institution industry. They should know it inside and out. Why is it left to the American people to unwind or unring the bell? The lending institutions have the wherewithal, they have the expertise, they have the resources.

They need to revamp their processes to ensure that they are in compliance with the law. We know that they have been allowed to be unregulated for quite a long time, and now that they are being regulated, we need to hold their feet to the fire. Thank you.

Ms. GRADY. I would like to bring up that yes, there are problems with Fannie and Freddie, but also in between a broker and Fannie and Freddie we usually have a bank or a wholesale lender and from my own experiences, my deals, mine was a Fannie Mae, but I had to deal with Bank of America in order to negotiate and work things out. And it wasn't Fannie Mae's decision to do what happened, it was Bank of America, as the server. They were servicing that loan.

I think that's part of the problem, is Fannie is using the different banking institutions to do the servicing and they are making the decisions and not looking at the whole picture.

Ms. BERKLEY. Thank you, Congresswoman. There's a couple of— Sue, you and I work very, very closely together. The access to secondary capital legislation that you talk of, do you have a bill number on that? Could I get that?

Ms. LONGSON. Yes, it is H.R. 3993. Representative King introduced that and our insured, the National Credit Union Administration, supports that and is working with the Congressman on that.

Ms. BERKLEY. Great. Thank you for that information.

Another aspect in this community in particular is the way that servicemen and women who are serving this Nation overseas, largely because we have Nellis Air Force Base in our community, and veterans when they get back, they are experiencing not only being far away from home, and in a very, very dangerous part of the world, protecting and defending our country, but they are also hearing from back home that their families are going through tremendous trauma, as their homes are getting foreclosed on. And I was very glad to see that there has been some movement in Washington to protect these people who have more important things right now to do than worry endlessly about where their families are going to be living when their homes have been foreclosed on.

When we talk about, I think it's very important to hold the people responsible for what has transpired in this community and throughout the United States. There has been a fraud perpetrated against the American middle class and almost brought down the economy of the world by this reckless behavior, the result of which, millions of Americans and tens of thousands of Nevadans are finding themselves without a job and without a home. And if we don't hold them accountable, and make sure that this never happens again in this nation, then we have done a tremendous disservice to the American people. I think it's time that Congress gets serious about this, and make sure that we do everything we can to keep people in their homes through public-private partnerships, make sure that we give homeowners every opportunity to recover, stay in their homes, and move to a brighter future for their families.

But I have attended many of those sessions and I put together many of those sessions and you are absolutely right, Keith, the frustration level in that room is extraordinary. I am always amazed at how polite these people are because I'm not sure that I would be quite that polite if my whole world had turned upside down.

They are reaching out for help and it's very nice that our major banks, Bank of America, Wells Fargo, are sending 100 people there. But at the end of the day, they actually have to accomplish something. And having a bunch of untrained people who are just doing this for the first time, I'm glad they have a job, but their job is supposed to be keeping these people in their homes and working with them, as the credit unions do.

Until we ensure that they do this, and actually help middle-class families by and large stay in their homes, we're going to continue to have the trauma in this community and throughout the United States. We need to do better. And it's up to us to ensure that they do better by the American people, or shame on us.

Chairwoman CAPITO. Joe, Mr. Heck, I have no further questions, so you can question on out.

Mr. HECK. Okay. I have one for each, and I will just make my way down the panel. I took care of this side of the room and I'm going to turn my attention over to this side. So I'll start with Ms. Grady.

Since HAMP's inception, concerns have been raised with the program not reaching the expected number of homeowners. In your experience, are there systemic flaws in the HAMP program that are preventing it from reaching the homeowners, and if so, what do you think would make a difference in making the program more available to people here in southern Nevada?

Ms. GRADY. At open level right now, we don't have all the guidelines out and so I can't really answer that, because I don't have everything. It has not been the—the regulators don't have it, or they are starting to put it out now. We are going to put together a class so people can attend to find out all those guidelines.

Yes, it will help a lot of people, probably not everybody. But if it's like I went over with you last year, if it's like a 30-year streamline, and you are lowering the person's interest rate, and saving them that payment, and they have a job, then yes, it should help a lot of people stay in their homes.

Mr. HECK. Thank you. Mr. Chide, how is the demand for your services? How do you see the servicers' willingness to participate in mediation has changed during the evolution of this crisis, from 2008 to where we are today? Have you noticed any changes in the demand for your services and how the servicers are responding to you?

Mr. CHIDE. Yes, the demand just continues. When you go back to 2010, we were seeing on average, and keep in mind I only have 2 representatives who do this, and we were seeing on average about 50 to 60 new cases a month. So then, we are always working on the additional cases that go—that you're carrying over—none of these are one day. They are many months in the making.

The thing with these, the demand for it and how the servicers are getting it, when you go back to 2008, when you look at HAMP, the banks didn't understand it. And that was one of the biggest difficulties we had found is because my staff would have to train the bank on what it is this program was even about.

So I look at that, it would, it falls on behalf of the bank for not making sure they had the staff adequately trained.

The other thing that you found back then is that most of these individuals, it was a phone call. You weren't meeting anyone in person. When I listen to Ms. Longson talk about what the credit unions did, going back to using my own case, I called both of them before I went delinquent. I did try to get ahead of the curve. I saw what was coming.

I called my credit union, which was Nevada Federal. They had me come into their office. The next day, I had a modification done within 3 days. They cut my payment in half, and did not charge me interest for 2 years. The bank, I couldn't even get anyone on the phone who could answer anything for at least 30 days.

It wasn't until about 2010 that you started seeing some of the banks actually open up shops in town, whereas you had it with the credit unions. They were there. You could meet with them and you could see them face-to-face.

It was a whole lot easier for us to help the consumer with that process, not to mention the smaller the institution, the easier and quicker it was to actually help someone get modified. When you started talking about the larger, especially here in Nevada, you have the five banks that primarily you see over and over again to deal with, you were calling somebody, you may get the same person; you may not.

When it changed, and when we got them here locally, I got to know Joe Heck. So now every time I had a case that was at his bank, I called Joe directly and said, here's what I have, help me work through this, and we found that those, because they had a, for lack of a better way of saying it, a better relationship, a personal relationship with them as a counselor, they were then willing to say okay, I understand what you are trying to do and they shortened their process.

But even today, we're still seeing about 9 months on average for a modification. It's ridiculous. That's because their representatives who are on the phones are the ones that you now see in person don't have the authority to really make the deal.

When I look at what we went through last week, at Governor Sandoval's event—like everyone else, we go to almost every one of them. Usually on my Saturdays, which for my staff means I'm now paying overtime for, and everything else, and what you find is that most of the banks will take the paperwork and they don't make any—they don't really—the majority of them, as you saw, the majority of them are not there to really close the deal.

They are there, yes, you have a face on it, most of them have flown in from out of town, so you have some from California, Arizona or somewhere else, and they are not familiar with our market. And so, they are not there so that they can really close everything. They have just added to their system. And that has been unfortunate because then some of these people get frustrated. They don't want to go to the next event, or they continue to go each time and yet their attitude gets a little more jaded, that they just don't want to go anymore, and hence why now they are looking for one thing, and one thing only, if you don't offer it to me—

I had a gentleman in my office on Monday. They offered him to extend it 40 years. They extended it, they wanted to drop his interest rate and he looked at us and put the bank on the line and said, "No way. You are not willing to give me anything, it's just going to benefit you because you are going to make more money off the interest rate at the end of the day."

So that's what we are seeing a lot of, even though yes, we are seeing more case load, it did slow down. After A.B. 284, it slowed down big time. Why? As someone has already alluded to, in the month of October you had less than 40 new cases that went out. So all of a sudden, we have seen a tremendous decline in these last 3 months.

Yet, on the other side we are seeing more permanent modifications being suggested. Offered. I'm not going to say they are all accepted, but offered. And if I could real quick, you had asked Mr. Lynam a while ago a question on the FHFA. One of the things, I respectfully disagree with him slightly, only because what I'm finding, as a nonprofit, when you look at that bill, if they—they have to own it for 5 years.

Right now, the banks are not lending to these individuals, so if they have to borrow the money to get into the house, it's not happening. So they are doing the renting. They are renting from a private investor, individuals somewhere else.

One of the things that's part of that is that they will actually allow the private sector, the investor to partner with the nonprofits. We would actually then service those rentals for them, property manage, basically, work with them on it.

One of the caveats, though, is they have to own it for 5 years, unless they sell it to a nonprofit, they can do that as quickly as 3 years. Personally, I think it should be shortened even more because as people can get back up on their feet, especially as unemployment continues to—it is declining here in Las Vegas. Those individuals would be able to get back in those houses sooner.

If we cap them so that they can only do that for 5 years, that I agree with. I don't think that's going to work. But when you have that caveat in there that if it's handled in certain ways, it could sell quicker, in this case getting a nonprofit involved, the day that went out, I had three different investors—one from China, one from Phoenix, and one from Florida—contact me and ask me if we would be willing to partner with them.

As a nonprofit, I can't come up with $250,000 escrow to even look at what houses are for sale. They have it. Then, together what they were proposing is, look at it together, and then we work out some type of arrangement for, obviously I would have to hire individuals. Now, I'm putting people back to work as well to do the property management for them.

So that's something that's where I slightly disagree. I don't know if 5 years is going to do it. But there are some ways to modify it that I think would work.

Mr. HECK. Thank you. And finally, Ms. Campbell. First, I applaud what the mediation program is accomplishing, and trying to accomplish.

What, if anything, should Washington do to either assist you or to get out of your way so you could be more successful?

Ms. CAMPBELL. One of the things that can happen is that there could be uniformity across the country regarding mandatory foreclosure mediation programs.

When we started our program, there were approximately 13 or 14. Today, there are over 35. We do know that our program has been designed to be a model because we saw the pains that other programs had gone through. So we have no problem with readily sharing.

But I think uniformity, and also making it an opt-out program, would certainly help. One of the things we continue to see is that there is, there appears to be an arrogance on the lenders' side and a resistance to change.

Making it more difficult for them to resist the law and not allowing them to manipulate, as they have done. Even here in our State, I feel like there's some manipulation going on with A.B. 284. The complaint is that they cannot comply.

Is it that they cannot or that they will not? And the reason I say "will not" is because I'll never forget my very first call, after we started the program, to a lender's representative, telling me that they were going to be scheduled for one of our first mediations.

Literally, the representative slammed the headset of the phone down on the desk 3 times, and screamed in the phone: "There will be no mediation;" "There will be no mediation;" "There will be no mediation."

But on behalf of the State of Nevada, I very politely told him when his mediation was scheduled and they did show up.

So we have to just hold them accountable, and I think we will start to see major successes. Thank you.

Mr. HECK. Again, my personal thanks to all of you for participating. And again, thank you, Madam Chairwoman for coming out and holding this field hearing, and I yield back.

Chairwoman CAPITO. Thank you.

I think that concludes our hearing and I want to thank all of you. It has been illuminating for me, and I appreciate the passion with which you, these representatives and Mr. Heck, are trying to dig out of a very difficult situation.

We have to get people back into the cycle of employment and the financial issues are just really, really difficult. So I appreciate what you are doing. And I appreciate you telling me about it.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for Members to submit written questions to these witnesses and to place their responses in the record. And I want to thank Congressman Heck for giving me the chance to come to Las Vegas. That's always a great thing.

And with that, this hearing is adjourned.

[Whereupon, at 11:10 a.m., the hearing was adjourned.]

A P P E N D I X

March 15, 2012

State of Nevada
Foreclosure Mediation Program

March 15, 2012

Introduction

Chairman Capito, Ranking Member Maloney and members of the subcommittee, thank you for the opportunity to appear before you today. My name is Verise Campbell, and I am the Deputy Director of the State of Nevada Foreclosure Mediation Program. Prior to joining Nevada's Administrative Office of the Courts, I served as the Administrator for a large-scale international development company, as the Director of Administration for the Cosmopolitan Resort and Casino, and as a Deputy Municipal Clerk for a southern New Jersey Municipality.

The State of Nevada appreciates your willingness to come to our state and learn first-hand the nature of our foreclosure crisis. We hope you will come away with an appreciation for the hard work of many individuals who are providing help and assistance to homeowners in our state on a daily basis.

Background

Nevada has endured the nation's highest foreclosure rate for more than five years. Although the root cause of the problem is complex, two key factors seem to remain constant: high unemployment and negative equity. Nevada leads the nation in the number of negative equity mortgages, which are those home loans that are "underwater" or "upside down." It is estimated as many as 63 percent of Nevada homeowners are underwater and unable to refinance due to negative equity. In addition, it is estimated that Nevada has the nation's largest share of outstanding subprime and adjustable rate mortgages. These loans continue to adjust to new rates, and because of negative equity, borrowers are unable to refinance.

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Nevada's unemployment rate exceeds 12 percent and continues to fuel uncertainty in the housing market. The prospect for 30-day, 60-day and 90-day defaults remains high. High unemployment and a collapse of the housing market has left many Nevadans underwater; and many homeowners unable to pay their mortgages. All of these factors have and continue to make finding solutions to the foreclosure crisis a high priority for many groups who are working together in Nevada to tackle the problem.

Last weekend the State of Nevada Foreclosure Mediation Program was honored to participate in the Home Means Nevada event hosted by Nevada Governor Brian Sandoval. This event attracted more than 4,000 homeowners in Las Vegas to meet with lenders to discuss loan modifications and other alternatives to foreclosure. Such events are now commonplace in our state, but that was not always the case.

Foreclosure Mediation in Nevada

In 2008, homeowners began reporting difficulty in meeting with lenders to discuss their reasons or hardships that led to a default. In response to the foreclosure crisis, the 2009 Nevada Legislature passed AB 149, establishing the State of Nevada Foreclosure Mediation Program, which amended NRS 107.080 and 107.086, Nevada's non-judicial foreclosure statutes. The Nevada Supreme Court was tasked by the legislature with adopting rules to govern the Foreclosure Mediation Program, as well as designating an entity to serve as the mediation program administrative entity. The Administrative Offices of the Courts was chosen as that administrative entity. The primary focus of the Foreclosure Mediation Program is to provide a forum to bring eligible homeowners and lenders together to discuss alternatives to foreclosure in accordance with the governing foreclosure mediation statutes and rules.

The law creating the program, AB 149, specifically directed the State of Nevada Foreclosure Mediation Program to provide an opportunity for homeowners and lenders to meet and discuss foreclosure alternative options, whether it is a loan modification or an agreement to relinquish the home through a short sale or other alternatives.

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AB 149 went into effect July 1, 2009 and my first day on the job was July 1, 2009. The entire infrastructure of the State of Nevada Foreclosure Mediation Program had to be built, including establishing offices and hiring staff, creating forms, procedures and processes, and most importantly, identifying and establishing a pool of mediators. Despite the odds, our program held its first mediation session six weeks later. Through community, government and public collaboration, much work was done in those six weeks to develop our program.

The program initiated ongoing training opportunities for foreclosure mediation program mediators in partnership with staff from the United States Department of Housing and Urban Development, Freddie Mac, the United Trustee Association, as well as local agencies including the Clark County Neighborhood Justice Center, Legal Aid Center of Southern Nevada, Financial Guidance Center (formally known as Consumer Credit Counseling), the Nevada Foreclosure Prevention Task Force, and Nevada Legal Services. Professional backgrounds of the State of Nevada foreclosure mediators include senior judges and settlement conference judges, attorneys, real estate professionals, and professional mediators.

These training opportunities expose the mediators to current legislation, Supreme Court opinions relating to the Foreclosure Mediation Program, government and lender mortgage assistance programs, foreclosure fraud, homeowner education programs and mediation skills. The State of Nevada Foreclosure Mediation Program has worked with private lenders, Fannie Mae and HUD-approved counseling agencies to develop our curriculum. The Program enlists the feedback and suggestions from organizations such as those mentioned on a regular basis regarding the progress, challenges and changes of the Program to develop sustainable solutions. These partnerships continue to benefit our program and the participants of foreclosure mediation.

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Since September 2009, the program has held nearly 16,000 mediations with more than 11,000 of those mediations resulting in no foreclosure. As a non-judicial state, Nevada foreclosures filings typically begin with the filing of a Notice of Default with a County Recorder and conclude with a trustee sale. Once a notice of default is filed, a homeowner of an owner-occupied residential property in Nevada can choose to participate in our program, which essentially gives the homeowner an opportunity to actively participate in meaningful dialogue with their respective lender. Foreclosure mediation is cost effective and efficient.

To participate, eligible homeowners must submit an election form along with a non-refundable $200 mediation fee. Once the homeowner indicates they wish to mediate, a matching $200 fee is submitted to the program by the respective lender. Eligible homeowners also may choose to waive participation in the program. Homeowners and lenders usually meet within a six weeks after first contact with their assigned mediator.

Beneficiary Compliance Tied to Success

The success of our program is tied directly to the legislation. Certain requirements are placed on the lender once a homeowner requests mediation and these requirements dictate if a beneficiary will be allowed to proceed with foreclosure.

The law requires beneficiaries to: (1) attend the mediation; (2) bring each document required, including the original or a certified copy of the deed of trust, the mortgage note, and each assignment and endorsement of the deed of trust or mortgage note, as well as a current appraisal or brokers price opinion and confidential proposal; (3) participate in good faith; and (4) demonstrate the authority or access to a person with the authority to modify the loan.

If the documents are not produced, then the program will not allow the beneficiary to proceed to the trustee sale. In the first six months of our current fiscal year (FY 2012), between July 2011 and December 2011, beneficiaries were unable to produce the proper documents 36 percent of the time. The requirement to produce the proper documents took on added significance as the revelation of document robosigning by a number of banks demonstrated a breakdown in the documentation process. Our requirement to produce original or certified documents ensures accountability on behalf of the lender.

Failure to comply with these requirements can result in sanctions on the beneficiary. A District Court judge can impose a fine and ultimately the beneficiary is unable to foreclose on the home. This was reaffirmed in two 2011 Nevada Supreme Court rulings, Passillas v. HSBC Bank USA and Leyva v. National Default Service Corp. In both of these cases the Nevada Supreme Court unanimously held that lenders must strictly comply with the Foreclosure Mediation Program's production of documents provisions, as well as the other statutory requirements. Failure to do so is sanctionable by the district courts. Failure by beneficiaries to comply with the statutory requirements will prohibit the beneficiary from concluding the foreclosure process.

Ironically, the requirement for proper documents has nearly halted the filings of notices of default in Nevada. In October 2011 a new law, AB 284, went into effect requiring a beneficiary to file a copy of the deed of trust, the mortgage note, and each assignment and endorsement of the deed of trust or mortgage note with the notice of default filing.

Last month, the Mortgage Bankers Association reported Nevada showed a large uptick in 90-day delinquencies. For the past few months, banks have indicated the requirements of AB 284 are too difficult with which to comply. Consequently, Nevada's foreclosure problem is masked as homeowners go into default, yet a notice of default is not filed by the bank. In September 2011, nearly 5,000 notices of default were filed in the state. The following month that number dropped to 40.

Foreclosure Mediation Furthers Communication

Bank and beneficiary representatives have indicated in recent weeks they will soon begin filing notices of default again in Nevada after a review of their documentation and the announcement of the federal agencies and state attorneys general historical mortgage servicing settlement in February 2012. Although Nevada's notices of default have climbed from the record low of 40 filings reported in October 2011, they are still relatively low (fewer than 400 for the month of February 2012).

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This is important for many homeowners in Nevada because the Foreclosure Mediation Election Form is included in the notice of default packet. In most instances, the Foreclosure Mediation Program offers the first and only opportunity for homeowners to meet face-to-face with a lender. Without the filing of a notice of default, it is up to the beneficiary to reach out and help homeowners before they reach default status. If this is not done, homeowners are left with the worry and frustration of not being able to meet their obligations or find a way to gracefully exit from the obligation.

Most homeowners want to resolve a default. Homeowners want alternatives to foreclosure and they want banks to consider loan modification through the various government and lending programs available to them. While the major lending institutions have instituted programs to assist homeowners, I often wonder if there is a unified plan throughout these vast and multi-layered organizations to reformulate policies and procedures and to create systems that will assist the organizations with compliance with Nevada's foreclosure laws and other related legislation across the nation.

The problem of communication between lender and homeowner remains due to the overwhelming number of homeowners in default or in danger of default. While banks are reaching out to homeowners, the numbers are overwhelming and homeowners are still finding it difficult to reach someone who can negotiate a loan modification or refinance. HUD-approved counseling, homeowner education, and programs such as the State of Nevada Foreclosure Mediation Program break down barriers to communication and bring parties together to discuss solutions.

Our program is identified as a model for four (4) other foreclosure mediation programs throughout the country including: Washington, DC and the states of Hawaii, Washington, and we learned just this week of Oregon. These programs have modeled their foreclosure mediation legislation after the Nevada law. We did not invent foreclosure mediation, and in fact borrowed from a number of other programs, including those in Ohio, Connecticut, and Philadelphia. We recognize that this is an ongoing process of learning and sharing as we work toward a common goal of reducing the number of foreclosures in Nevada and nationwide.

Conclusion

In closing, participation by homeowners and lenders in mediation programs has proven to be a successful method in bringing homeowners and lenders together to discuss alternatives to foreclosure and keep homeowners in their homes where possible. Our Program, however, is part of the foundation of what is required to rebuild the American dream of homeownership. We as a community, as a state, as a nation must keep the focus on strengthening foreclosure mediation program efforts around the country; improving communication and restoration of faith by the American people in mortgage and lending institutions; dramatically decrease unemployment and stabilize the housing market to truly make the necessary strides to turn this crisis into a triumph. Albeit difficult, it is not impossible if we remember that we all in this crisis, together. We are working hard together to build new "American Dreams" that still include home ownership.

Thank you for allowing me to address this committee.

United States House of Representatives

Committee on Financial Services

Written Statement of Leonard Chide, Neighborhood Housing Services of Southern Nevada, Inc. (NHSSN)

In 2008, NHSSN, like many nonprofits, found itself trying to ramp up its staff to address the Foreclosure Crisis in Southern Nevada. The issues NHSSN faced were training the staff on the various programs offered by the Federal Government, finding and securing funding to pay the staff and working with various servicers that were also trying to learn the Federal Programs and their internal programs.

In 2009, the staff was trained, the funding was secured through National Foreclosure Mitigation Counseling Program (NFMC); however, the servicers were still trying to figure out the various programs offered and to hire and train their staff on both the Federal and internal programs. On average a modification would take twelve months to complete. Due to the HAMP requirements, many of the lenders were unofficially informing the clients that they would need to be delinquent before they could work with them. This created a dilemma for many of the clients as they did not want to ruin their credit score but could no longer afford their mortgage payments due primarily to unemployment or underemployment. The servicers, due to their backlog of files, would require the clients to provide updated documents every 30 to 60 days or as warranted as items continuously came up missing, or were considered outdated, this in turn would further frustrate the clients.

In 2010, we observed a shift in the Foreclosure process as clients were strategically walking away from their homes as the homes fell further underwater and the clients felt the servicers did not care due to a lack of results from their attempt to modify their home loan. We also saw an increase in short sales. However, the challenge with short sales was the servicers did not have a streamlined process and it could take from one to two years to short sale the property. As unemployment continued to rise in Southern Nevada many of our clients from 2008 and early 2009 were returning asking for their modification to be modified.

In 2011, NHSSN saw a decrease in the number of clients seeking a modification in the second quarter; however, the third quarter saw the number return to normal. The last quarter in 2011 saw a decrease in new foreclosure cases but an increase in the number of permanent modifications offered. There are two main reasons for this decrease, first most Southern Nevadans find their homes are now 50 to 60% underwater and the home owners will only accept a principal reduction which the banks have been unwilling to grant. During the one-on-one counseling sessions, NHSSN has found that a permanent modification may not be the correct decision for the client due to the economy. Our community is still faced with high unemployment resulting in single family income, loss or reduction in wages, divorce, death, overextended on credit cards and many households have exhausted their savings and/or retirement. When the clients are informed the lender will not provide a principal reduction, they opt for a short sale instead of a modification. The second reason NHSSN has seen a slowdown in foreclosure cases is due to the passage of AB284 in Nevada last October. Many of the banks have slowed down the processing of Notice of Defaults. AB284 essentially makes the banks swear an affidavit that they have the deed as well accurate loan documents and appropriate signatures before they can begin the foreclosure process (a.k.a. Issuing of Notice of Default or NOD). It also requires banks to list accurate payment options and debt amounts for all liens in default. Finally, it requires the bank to show proof that this information is delivered to the appropriate party, not just mail it out and assume it is received and understood. According to Easy Street Realty Las Vegas in November 2011, "The immediate effects of the law are that REOs processed by banks in Las Vegas has dropped from 1500 to 2500 per month to slightly over 50 in the last 30 days; in other words the REO (and to some unknown extent, Short Sale) pipeline feeding our supply has been cut by over 95% overnight."

NHSSN does not believe principal reduction is the answer to the foreclosure issue, yes it is a win for the client that receives the reduction; however, it is a loss for the banks and for the individuals that are not underwater. NHSSN has recently modified three loans that NHSSN believes is a win for the client and the bank. In the attached example you will see the client owned $288,426 on a home that was now valued at $202,000. The homeowner wanted a principal reduction but did not want to be required to increase the amount owed as the market improved. Bank of America was creative by offering to reduce the interest bearing principal balance to $201,898 and to defer the $86,528 as interest free. BofA modified the interest rate to a fixed rate versus the interest only rate the homeowner was paying. BofA also extended the term of the loan to 40 years with the deferred amount as a balloon payment at the end of the loan term or when the home is sold. The win for the client is a fixed interest rate, a reduced monthly payment and her loan is brought current. The win for the bank is the client is staying in their home, the loan is current and they have a much better chance of receiving the entire amount originally loan on the home.

Bank of America

Home Loans

Bank of America, N.A.
Attn: Home Retention Division
11802 RIDGE PARKWAY, SUITE 100 HRM
HOME RETENTION
BROOMFIELD, CO 80021

Notice Date: February 23, 2012

[redacted]
Henderson, NV 89002

Loan No: [redacted]

Property Address:
[redacted]
Henderson, NV 89015

IMPORTANT MESSAGE ABOUT YOUR HOME LOAN

Dea[redacted]

Bank of America, N.A. is committed to helping our valued customers who may be having difficulty in making their mortgage payments. Enclosed is a proposed agreement to modify your loan.[1] This modification agreement will not be binding or effective unless and until it has been signed by both you and Bank of America, N.A.. Further, in order for the loan modification to become effective, you must complete the actions in the "To Accept the Proposed Modification" section of this letter by no later than March 5, 2012.

SUMMARY OF PROPOSED MODIFICATION

Current Interest Rate:	3.250%
New Interest Rate:	4.625%
Unpaid Principal Balance[2]	$288,425.90
Deferred Principal Balance[3]	$86,527.77 ✓
Interest Bearing Principal Balance[4]	$201,898.13
New Maturity Date:	March 01,2052[5]
Effective Date of New Interest Rate:	March 01,2012
Interest Rate Terms:	Refer to Interest Rate Changes Section Below
First Payment Due Date under new terms:	April 01,2012

A breakdown of your new monthly payment is as follows:

P&I Payment:	**$923.95**
Escrow / Option ins.:	**$194.85**
New Monthly Payment:	**$1,118.80**[6]

(must be included with modification agreement)

1 The enclosed terms are based upon information you provided to us and may be subject to validation.
2 Your "Unpaid Principal Balance" is calculated by adding the Delinquent Balance to your current Unpaid Principal Balance of $282,675.95.
3 A portion of your principal balance will be deferred so that your monthly payment is lowered. Interest will not accrue on the deferred portion of your principal balance.
4 Your new Principal and Interest payment is calculated using only the "Interest Bearing" Principal Balance.
5 Your new maturity date may have changed from your current maturity date as a result of the modification terms. This agreement will bring the loan current; however, you are still required to pay back the entire unpaid principal balance by the maturity date for your loan.
6 Your first new monthly payment is due with the executed agreement. This payment is subject to change if your escrow payment changes. Escrow includes amounts to pay taxes and insurance on your home.

TO ACCEPT THE PROPOSED MODIFICATION, COMPLETE THE FOLLOWING BY : March 5, 2012

1. **Carefully review all documentation enclosed[6].** On the following pages, we have outlined important legal terms and notices of this change. It is very important that you read and understand these terms.

2. **Sign and date the enclosed Loan Modification Agreement. All parties who own an interest in the property must sign the modification agreement as their name appears on the enclosed agreement.**

   Special Requirement if the Loan Modification Agreement is being executed in California. If executing the Loan Modification Agreement in the state of California, you must also sign and execute the **California Notary Acknowledgement** in the presence of a notary. It will be utilized by a notary of the state of California in place of the notary section contained in the Loan Modification Agreement.

3. **Remit the First Payment Due under the modified terms in the amount $1,118.80 in CERTIFIED CHECK OR MONEY ORDER. Please use the enclosed self addressed envelope to provide payment.**

First New Monthly Payment:	$1,118.80
Interest:	$0.00
Fees:	$31.00
Escrow:	$522.55
Less: Funds Held in Suspense:	$553.55
Total Amount Due with Executed Agreement:	$1,118.80

4. Using the pre-addressed, pre-paid FedEx envelope and the address label provided, **return all properly signed and notarized documents and first payment no later than March 5, 2012**

   DID YOU REMEMBER?
   - Loan Modification Agreement (See Item #2 above)
   - California Notary Acknowledgement (if applicable. See above)
   - Certified Check or Money Order for the Total Amount Due for First Payment

   NOTE: Failure to return all documents correctly signed, dated and notarized and the first payment as requested will result in processing delays.

6 Bank of America, N.A. is required by law to inform you that this communication is from a debt collector.

IMPORTANT TERMS OF PROPOSED MODIFICATION

Upon the modification agreement becoming binding and effective, the mortgage will be modified to reflect the following terms. ***Please read this section carefully*** to understand the impact of this modification on your current mortgage.

Delinquent Balance
The following shows your current delinquent balance as of 1st day of March, 2012. This reflects the total amount needed to bring your loan current. The proposed modification will cure the below delinquency and bring your loan current; however, it may also increase your monthly payment.

Delinquent Interest accrued from August 1, 2011 to March 1, 2012	$5,330.08
Fees and Costs*:	$0.00
Delinquent Escrow:	$419.87
Total Amount to be added to your Principal Balance:	$5,749.95

Fees and Costs are Estimated*
Fees may include but are not limited to property inspection fees, property preservation fees, legal fees, appraisal fees, BPO fees, title report fees, recording fees and/or subordination fees. We have made every attempt to estimate the amount of fees and costs that may have been incurred and not yet paid by Bank of America, N.A. in the servicing of your loan. Fees and costs incurred but not yet billed and not included above will remain your responsibility following the modification.

You will not pay any modification fee in connection with this Agreement.

Notice of Interest Rate Changes
Your current interest rate is 3.250%.

Under the terms of the modification, your loan will be a FIXED RATE LOAN and your new rate of 4.625% will be effective as of the April 01, 2012 payment.

Other Conditions that May Apply
Upon request, you may be asked to provide a copy of your most recent supporting income receipts (pay stubs). If you are self-employed, please include the last two quarters of your Profit and Loss Statements (P&L Statements). If you have recently secured new employment, please include a letter from your employer verifying net and gross income. Please do not send originals.

In some cases, a lender's title insurance policy or endorsement may be required. The policy insures the Modified Mortgage as a valid lien in accordance with our requirements. If you have any other encumbrances on the property, then you may be required to obtain agreements by which other secured creditors subordinate their interest to the Modified Mortgage.

If any issues arise between the date of this letter and the date on which all of the terms and conditions of this letter are finalized, including, but not limited to, deterioration in the condition of the property, lawsuits, liens, additional expenses and defaulted amount, then we may not sign the modification agreement and we may pursue all collection action, including foreclosure.

This letter does not stop, waive or postpone the collection actions, or credit reporting actions we have taken or contemplate taking against you and the property. **In the event that you do not or cannot fulfill ALL of the terms and conditions of this letter no later than March 5, 2012, we will continue our collections actions without giving you additional notices or response periods.**

Special Terms Related to Principal Forbearance
The total principal balance of the proposed modified loan will be $288,425.90 ("Unpaid Principal Balance"). As part of the proposed modification, we will be deferring a portion of your principal balance to a non-interest bearing account. This may include a portion or all of your current delinquent balance, as well as a portion of your current pre-modified unpaid principal balance. The total amount being deferred is $86,527.77 ("Deferred Balance").

After this deferral of a portion of your principal balance, interest will accrue only on the portion of your outstanding principal balance that is not being deferred, which is $201,898.13 ("Interest Bearing Balance").

Your new payment amount of $923.95 is calculated using your new interest rate and the amount of your "Interest Bearing" principal balance by amortizing the "Interest Bearing" principal balance over the remaining term of your loan.

You can keep track of the "Deferred Balance" by reviewing your monthly statements after completion of the enclosed Loan Modification agreement. You may pay the "Deferred Balance" at any time prior to, but not later than, the date your final payment is due.

The "Deferred" portion of the outstanding principal balance is due in full upon sale or transfer of the property securing the loan, including a foreclosure, payoff or refinance. This may require a balloon payment at the maturity of your loan. You may avoid a balloon payment by paying the "Deferred Balance" at any time prior to the payoff, refinance, or maturity of your loan. You can keep track of the "Deferred Balance" by looking at your monthly statements after you sign the enclosed Modification Agreement.

IF YOU HAVE QUESTIONS

If you have questions, please call 1.800.669.6650. You can also learn more about our Homeownership Retention Program by visiting us online at www.bankofamerica.com.

We are committed to providing you the help you need to remain in your home. Please take advantage of this opportunity by completing the enclosed forms, or call us to see how we can help you. We look forward to receiving all required documents and your first payment prior to the document return deadline of March 5, 2012.

Sincerely,

Home Loan Team
Bank of America, N.A.

RECORDING REQUESTED BY: Bank of America, N.A. Attn: Home Retention Division 7105 Corporate Drive (PTX-B-36) Plano, TX 75024 This document was prepared by Bank of America, N.A.	

Doc ID #: 000140390957 MOD

-----------------------------SPACE ABOVE THIS LINE FOR RECORDER'S USE-----------------------------

LOAN MODIFICATION AGREEMENT
(Fixed Interest Rate)

This Loan Modification Agreement ("Agreement"), made this 23rd day of February, 2012, between [redacted] (the "Borrower(s)") and Bank of America, N.A., Original Lender/Beneficiary Lender or Servicer ("Lender"), amends and supplements (1) the Mortgage, Deed of Trust, or Deed to Secure Debt (the "Security Instrument"), dated the 7th day of July, 2006 in the amount of $266,000.00, and (2) the Note bearing the same date as, and secured by, the Security Instrument, and (3) any prior agreements or modifications in effect relative to the Note and Security Instrument which covers the real and personal property described in the Security Instrument and defined therein as the "Property" (See Exhibit A for Legal Description if applicable), located at [redacted] Henderson, NV 89015. (See Exhibit B for assignments of record if applicable).

The real property described being set forth as follows:

"SAME AS IN SAID SECURITY INSTRUMENT"

In consideration of the mutual promises and agreements exchanged, the parties hereto agree as follows(notwithstanding anything to the contrary contained in the Note and Security Instrument):

1. As of the 1st day of March, 2012, the amount payable under the Note and Security Instrument (the "Unpaid Principal Balance") is U.S. $288,425.90, consisting of the amount(s) loaned to the Borrower by the Lender which may include, but are not limited to, any past due principal payments, interest, fees and/or costs capitalized to date. All costs and expenses incurred by

Lender in connection with this Agreement, including recording fees, title examination, and attorney's fees, shall be paid by the Borrower and shall be secured by the Security Instrument, unless stipulated otherwise by Lender.

2. $86,527.77 of the "New Principal Balance" shall be deferred (the "Deferred Principal Balance") and I will not pay interest or make monthly payments on this amount. The New Principal Balance less the Deferred Principal Balance shall be referred to as the "Interest Bearing Principal Balance" and this amount is $201,898.13. Interest will be charged on the Interest Bearing Principal Balance at the yearly rate of 4.625% from the 1st day of March, 2012. The Borrower promises to make monthly payments of principal and interest of U.S. $923.95 beginning on the 1st day of April, 2012, and continuing thereafter on the same day of each succeeding month until the Interest Bearing Principal Balance and all accrued interest thereon have been paid in full. If on 1st day of March, 2052 (the "Maturity Date"), the Borrower still owes amounts under the Note and Security Instrument, as amended by this Agreement, the Borrower will pay these amounts in full on the Maturity Date

3. I agree to pay in full the Deferred Principal Balance and any other amounts still owed under the Note and Security Instrument by the earliest of: (i) the date I sell or transfer an interest in the Property, (ii) the date I pay the entire Interest Bearing Principal Balance, or (iii) the Maturity Date.

4. If I make a partial prepayment of Principal, the Lender may apply that partial prepayment first to any Deferred Principal Balance before applying such partial prepayment to other amounts due.

5. If all or any part of the Property or any interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by the Security Instrument.

   If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by the Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by the Security Instrument without further notice or demand on Borrower.

6. Borrower also will comply with all other covenants, agreements, and requirements of the Security Instrument, including without limitation, Borrower's covenants and agreements to make all payments of taxes, insurance premiums, assessments, escrow items, impounds, and all other payments that Borrower is obligated to make under the Security Instrument; however, the following terms and provisions are forever canceled, null and void, as of the date specified in paragraph No. 1 above:

   (a) all terms and provisions of the Note and Security Instrument (if any) providing for, implementing, or relating to, any change or adjustment in the rate of interest payable under the Note, including, where applicable, the Timely Payment Rewards rate reduction, as described in paragraph 1 of the Timely Payment Rewards Addendum to Note and paragraph A.1. of the Timely Payment Rewards Rider. By executing this Agreement, Borrower waives any Timely Payment Rewards rate reduction to which Borrower may have otherwise been entitled; and

(b) all terms and provisions of any adjustable rate rider, or Timely Payment Rewards Rider, where applicable, or other instrument or document that is affixed to, wholly or partially incorporated into, or is part of, the Note or Security Instrument and that contains any such terms and provisions as those referred to in (a) above.

7. The Borrower will make such payments at Payment Processing PO BOX 660833 DALLAS, TX 75266 or at such other place as the Lender may require.

8. Nothing in this agreement shall be understood or construed to be a satisfaction or release in whole or in part of the Note and Security Instrument. Except as otherwise specifically provided in this Agreement, the Note and Security Instrument will remain unchanged, and the Borrower and Lender will be bound by, and comply with, all terms and provisions thereof, as amended by this Agreement.

9. In consideration of this Modification, Borrower agrees that if any document related to the Security Instrument, Note and/or Modification is lost, misplaced, misstated, inaccurately reflects the true and correct terms and conditions of the loan as modified, or is otherwise missing, Borrower(s) will comply with Lender's request to execute, acknowledge, initial and deliver to Lender any documentation Lender deems necessary. If the original promissory note is replaced the Lender hereby indemnifies the Borrower(s) against any loss associated with a demand on the original note. All documents Lender requests of Borrower(s) shall be referred to as "Documents." Borrower agrees to deliver the Documents within ten (10) days after receipt by Borrower(s) of a written request for such replacement.

Subcommittee on Financial Institutions and Consumer Credit

Testimony by Janis Grady

Representing Nevada Association of Mortgage Professionals

Chairman, Congressman Heck and other esteemed Members of the House Financial Services Committee, thank you for allowing me the time to address you concerning the mortgage related challenges that are facing us here in Nevada.

My name is Janis Grady, I am the Past-President, and current Treasurer/Director of the Nevada Association of Mortgage Professionals, whom I represent at this meeting. I am also a member of the Nevada Mortgage Investment and Mortgage Lending Advisory Council. I have been a part of the Nevada Mortgage Industry for over 21-years so I have experienced both the good and bad times with my colleagues and the residents of our State.

Some of the many reasons that Nevadan's seem to be falling behind on their mortgage obligations, besides strategic foreclosures, and not being able to qualify to purchase a new home are as follows:

1) Lost Jobs or decreased income by taking a lesser skilled employment opportunity to "get by" for the time being
2) Property values that are more than 125% underwater in value...upwards of closer to 200% in some cases
3) Temporary Bank modifications that only provided a short time of relief that are now coming due and increasing the monthly payment to an amount higher than what they had started with originally, prior to modification
4) Mortgage Qualifications for loans that have tightened to the point that many no longer qualify due to employment gap technicalities, hidden reserves, past derogatory credit challenges that have NO bearing on the quality of character of the client at this time, etc. (Side note for you...I will come up with about 3-4 more restrictive parameters that hinder our loan process, but this is a great start)

Loss of workforce and jobs:

SITUATION: When the Nevada real estate market was at its peak, there were over 2200 mortgage Broker shops in the State of Nevada. Today we have 161-licensed mortgage Brokerages and 80 mortgage Bankers, with only 2100 licensed mortgage agents at the present , which is down from nearly 20,000 mortgage agents at the peak levels. This is a loss of over 2000 small businesses from the mortgage industry alone in the State of Nevada. Each of these 2000+ now closed small businesses would have been renting office space, paying utilities, employing W-2 wage earners, utilizing their surrounding businesses for title and escrow needs, courier runs, restaurants, supplies, etc...ALL making a major contribution to the local economy.

SOLUTION: Utilize the existing in state mortgage Brokers and Bankers to help execute state programs such as the Mortgage Second Chance program that Congressman Heck is backing, do not limit which brokers can originate for this program. Also, with the new HARP 2.0 program guidelines ready to be released, having these potential projects handled from within the state utilizing local mortgage agents, would provide an extremely needed boost to the local mortgage Brokerages and Banking firms along with their mortgage agents.

Appraisal Concerns:

SITUATION: With the implementation of HVCC (Home Valuation Code of Conduct) which mandates that all appraisal orders be placed and communicated only with the associated AMC's (Appraisal Management Companies), which are mostly owned by the banks. Many appraisers have had to settle for less than a full amount of nominal appraisal fee, with an exorbitant amount of the fee passed along to the AMC for their review and disbursement of the physical appraisal report. Many AMC's have increased their fee that they charge for an appraisal report to try to accommodate for the loss of income passed along to the entity performing the work, but then these higher fees are simply charged to the client for the same work that was done prior to HVCC. In short, everyone that is in requirement of appraisal services is now being charged additional monies to pay for an unneeded AMC. With the mandates/legalities of HVCC, market price for goods/services is no longer upheld and it's been proven that there is now MORE corruptive practices and appraisal fraud, than prior to the HVCC laws taking effect.

SOLUTION: When utilizing the Nevada Grant funds to help get Nevadans back into homes, use the local appraisers directly and not through AMC's. Implement a rotation system similar to that used by the VA for VA Appraisals, this way the work is spread around fairly to all licensed Nevada Appraisers. Let's not overlook that VA mortgage loans are 100% financed in nearly 90% of the transactions, and the level of default is 4-times less than the average defaults of Ginnie Mae, Fannie Mae and Freddie Mac. They have been utilizing their own internal AMC type of system for years, and 100% of the collected appraisal fee is distributed to the entity doing the work.

Comparable Home Evaluations:

SITUATION: At the insistence of banks and investing entities, appraisals have been completed by comparing dollar for dollar, well cared for properties to Foreclosures and REO properties that require major improvements just to be considered livable in some cases. It does not make rationale sense for a property that is complete, full of upgrades and that has been well cared for, be even remotely compared to a house that has been foreclosed and destroyed by the previous tenants with ruined carpet, holes in walls, missing appliances, destroyed counter tops and permanent fixtures such as bathroom sinks/showers, etc.

SOUTION: Require through the Real Estate Department that all appraisals done in the State of Nevada and other highly distraught areas, be given the proper credit for any/all upgrades and home improvements. This can be accomplished by comparing like properties, even when looking at the current ownership of the subject property.

In-State Originators vs. Out of State Originators and lending initiative:

SITUATION: Of the remaining 1930 mortgage agents licensed in the State of Nevada, 756 (nearly 40%) of these mortgage agents are employed and working from outside of the State of Nevada. There is no moral obligation for these out of state mortgage agents to perform work in a timely fashion and at the best interests of the resident/client that lives in the State of Nevada. They don't work/live/congregate in the area in which they are lending, so they are less likely to be as concerned as a resident/mortgage agent that lives in the area they are lending. This also removes potential income from the local mortgage agent and only strengthens the burden that has plagued our local economy from the loss of employment income. These are dollars that could be used in the local economy by the local mortgage agents helping their constituents and feeding our local economy with even more employment opportunities.

While the out of state broker/bankers must have brick and mortar with a local Qualified Employee to represent their presence in that State of Nevada, these 500 Mortgage Agents are not required to have a local presence. They can simply complete a simplified online Continuing Education program and again keep income from flowing from within our own State by utilizing the current licensing loop holes that are available to mortgage companies for their out of state licensing requirements.

SOLUTION: Require all Mortgage Agents that reside outside the State of Nevada, but would like to do business within the State of Nevada in the way of mortgage originations, take their Nevada specific licensing education from within the borders of the State of Nevada. Every Nevada originator or mortgage agent must take a 3-hour class on Nevada State Origination practices and Nevada State Law. Have these out of state mortgage agents take these classes from within the State of Nevada so that it would at least provide income to some part of our Nevada economy in the way of tourism and the local economy in general. The state licensing test for Nevada be taken in-state and not through an outside testing source that covers multiple states at a general testing center.

First Look Initiative for Primary Residence Purchaser's

SITUATION: During the 2004-2007 real estate boom in Nevada, there were investors coming into this state to make a quick buck, which contributed to the driving force of increasing local home prices to the point of where home prices were out of reach for nearly all local residents. Over 50% of the monthly purchases for the state at this time are cash purchases. This has resulted in less than one loan closing per month for each of the mortgage agents licensed in the State of Nevada. This has decimated the many local mortgage agents and Broker/Banker firms by ultimately being eliminated by the "cash investors". Sellers are accepting cash offers over clients coming to the transaction with financing consideration and the ability to do so easily prior to the scheduled Close of Escrow. This situation was partially remedied when Fannie Mae REOs had a clause added to their MLS listings, making all investor offers for a particular property wait 30-days before accepting an offer from an investor, thus giving the locals a chance to put in their offers and get them accepted as a Primary Residence.

SOLUTION: Until the housing market has turned around, in order to prevent this State from becoming a heavy "rental" property State, require that all REOs and short sales listed on MLS be open only to Owner Occupied offers for the first 30-days. Only after it has been on MLS for 30-days can it be then opened to investors. Instituting an "out of state" tax for an entity purchasing real estate in Nevada for the purpose of investment property real estate...

Down Payment Assistance Program availability:

SITUATION: Many Brokers and Banker are unaware of Down Payment Assistance Programs along with State Assistance for mortgage Down Payments. Even with money for these programs running out early, there are still buyers that could have used these program but don't as their Mortgage Agent or Realtor are not aware of the programs that are available to them.

SOLUTION: Make it a requirement that all Mortgage Agent Continuing Education include information on "Down payment Assistance Programs" so they are apprised and have knowledge on any assistance programs. For existing Mortgage Agents that have already completed their required Continuing Education credits, have those folks attend a class with a 3-month deadline to get all of these existing agents knowledgeable on the subject of Down Payment Assistance.

Put in place a Master Servicer for the Nevada Bond Program that helps residents that are first time home-buyers with down payment assistance in the way of a small $4500 2nd mortgage loan at a very low and affordable interest rate and term, for down payment assistance. With a Master Servicer in place, this would free up the burden of the State to collect and maintain these payment receipts and open up this program to any qualified mortgage lending institution. At this time there is NO Master Servicer since Bank of America pulled out of the servicing of these loans, and the state has been left with the burden of collecting and therefore not able to take on additional qualified mortgage lending institutions that would like the ability to offer this lending program.

Strategic Foreclosures:

SITUATION: There are attorneys advertising on TV pushing for people to do strategic foreclosures.

SOLUTION: Get the Bar of Nevada to investigate with these attorneys and demand they stop supporting fraud and dishonesty

Testimony

Susanne B. Longson

House of Representatives

Subcommittee on Financial Institutions and Consumer Credit

An Examination of Potential Private Sector Solutions to Mitigate Foreclosures in Nevada

March 15, 2012

Las Vegas, Nevada

Chairman Capito, Representative Heck, and committee members, thank you for inviting me to provide testimony at this very important field hearing.

As you are aware, Nevada, and more specifically the greater Las Vegas area, has been ground zero for the unemployment and housing crisis that has plagued our nation for these past years. Even today, as many other states are beginning to see signs of recovery, Nevada is still in deep troubled times.

My name is Susanne Longson. I am Vice President of Business Development and Community Relations for SCE Federal Credit Union, a $560 million financial institution located in Irwindale, California. I am formerly President of SONEPCO Federal Credit Union, a $55 million credit union located in Las Vegas, which served the employees of Nevada Energy and their family members. I served as Presidentand CEO for over 16 years until the credit unions merged with SCE FCU at the end of 2011. My grandfather organized the first credit union in Nevada in the late 1930s, along with over 400 other credit unions in the western United States. My parents also worked in credit unions throughout their careers. I am proud to be the third generation serving in the credit union movement.

I am pleased to come before the committee on behalf of not-for-profit credit unions that provide financial services to over 500,000 Nevadans and nearly 94 million Americans nationwide. The recession and the housing crisis have left credit unions battered and bruised, especially those here in the Silver State. Credit unions are not-for-profit financial cooperatives, owned by our members who democratically elect our volunteer board of directors. We do not have stock, are not publically traded, and return all profits to our members in various forms. The credit union model of operation is different from others in the financial services marketplace, as we focus on what is best for our members. To date, no credit unions have taken a dime of taxpayer money, nor received a government bailout.

Today, I would like to focus my testimony on the impact of the housing crisis on the credit union as a financial institution, its impact on our members, and how going forward Congress and our regulatory bodies can improve conditions for both.

Overview

Prior to this crisis, credit unions rarely used the terms we frequently hear today. Most credit unions had never processed a foreclosure, short-sale, or loan modification. In truth when the great recession hit Las Vegas, credit unions were helping one another through these processes, as many of us had never dealt with them in the fifty-plus years that we have been in existence. As I will get into details later, SONEPCO never foreclosed on a member during this financial crisis. Credit unions are about people helping people. Here in Nevada, we stick to this mantra.

Credit unions were not responsible for the types of loans that brought on the housing crisis. Per our cooperative model, we provide loans that a member can feasibly repay for the betterment of the collective membership. If one member cannot repay their loan, the remainder of the membership suffers. Thus, our loans were and continue to be strongly underwritten, and our loan products are designed to best serve the members' needs. In fact, during the period leading up to the crisis, several credit unions were rejecting member requests for exotic mortgage products. By avoiding exotic and predatory lending practices,credit unions were largely able to avoid the housing bubble. However, as property values rapidly declined and unemployment skyrocketed, credit unions began to feel the impact of this crisis. In SONPECO's first 52 years of operation, our total loan losses were $1.3 million. In the last 4 years, the loan losses were over $4.8 million, almost more EACH year than the previous 52 years combined. In a credit union, losses are taken directly from capital, since we have no other way to obtain capital than through our net of operating efficiencies. As a result, we had to focus strongly on expense control, which resulted in a staff reduction of almost 30%. I am proud to say that we did not lay off anyone, but instead did not replace positions when employees relocated. We further cut expenses by reducing benefits and not providing any raises to credit union employees, and we re-opened all of our corporate contracts to enact savings. We actively worked to shrink the asset size of the credit union to bring our Capital Ratio up by decreasing dividends. We succeeded in this endeavor by bringing about a $7 million decline in total assets to the credit union. In the last three years, SONEPCO went from $61 million to $54 million in assets. That might not seem like a lot in government dollars, but to a local community-owned financial institution, it was devastating.

As I mentioned earlier, credit unions do not have stock or bonds. Credit unions can only improve their capital levels through growth in retained earnings. During the economic crisis, when our members could not afford their loans and obligations, credit unions found themselves bleeding capital at lightning speed. Over the course of the last few years, SONEPCO's Capital declined from 12.86% to 5.90%, classifying us as undercapitalized. Furthermore, regulatory burdens from the outdated laws "tied the hands" of credit unions and our ability to modify loans, provide troubled debt restructures, and keep our members in their homes.

The Impact

As financial institutions evolved into the realization of the financial crisis, each credit union had to respond proportionally. Since our mission is to serve the needs of our members, we adapted. Unfortunately, as a result of regulatory constrictions, several credit unions were not successful in adaptation. In 2007, there were 28 credit unions serving Nevada, almost all of them locally grown credit unions—owned and operated by Nevadans. As of today, 6 have been merged with out-of-state credit unions, including the credit union SONEPCO, and one credit union merged with an in-state credit union. SONEPCO had sought a merger partner, as it was evident to the Board of Directors that the Great Recession was truly a Depression in Las Vegas, and it would be years before we could once again provide the level of service and number of services to our members that we once had. As the number of home-grown financial institutions has dwindled in both the credit union and for-profit sectors, Nevada faced another crisis: who was actually serving the needs of Nevada consumers—and more importantly, who understood those needs. Because of the uniqueness of the crisis in Nevada, large home lenders operating outside of Nevada face the difficultly of understanding the crisis and the impact on daily life.

However, with these losses, credit unions still continued to serve the needs of our members. At SONPECO/SCE, we've gone to extraordinary measures to keep our members in their homes. As early as December 2007, we began analyzing our loan portfolio to see which loans were "underwater" and which members might need assistance. We began reducing or cancelling our Home Equity Lines of Credit, as they were the first to be impacted by negative equity. We also started an outreach program, calling those members who had reduced equity and declining credit scores to see if we could help. We were able to help many members. For example:

One of our members who was on permanent disability fell behind on his payments. We were able to reduce his payments to keep him in the home, which is where he wanted to stay. Through a loan modification, we were able to reduce his payments from $1,158 to $446 per month. We adjusted his interest from 5.75% to .0001% and doubled the term of his loan from 20 to 40 years.

Another member's wife fell seriously ill with multiple sclerosis. As a result, our member was no longer able to work. The couple lived in two-story home and wanted to stay there. Through reduced payments, we were able to not only help them stay, but convert the bottom floor to livable space. We took their payments from $1,688 to $1,203 and dropped their interest rate from 6.5% to 5.5%, for a term of 40 years.

Lastly, one of our longest existing members who is a retiree living on an income fell ill. The severity was serious, enough that prescription costs ate up almost their entire income. Again, through modification, we reduced their mortgage payments to keep the member in his home. We took payments from $455 to $334, and extended his 30-year term to 40 years.

ALL of these were items of contention with our regulator. The regulators insisted that we should foreclose on these homes and place our members on the street. We refused. *This is the credit union difference.*

Unfortunately, we had some members who chose to not repay, which caused losses, and those who were just unable to repay because of loss of employment, or "life happened" – a death, divorce, or severe illness. Every credit union in Nevada and nationwide has stories like these. We take necessary steps to put our members first. However, regulatory burdens and unnecessary restrictions alter the abilities of credit unions to do more – not just in the arena of home ownership, but in serving our communities.

Recommendations

In order for credit unions to continue to push forward with our responsible practices, we need Congress and our regulators to take a common-sense approach to addressing this crisis. Below are several recommendations endorsed by credit unions, our state trade associations, and our national trade organization. We hope Congress will take them seriously to ensure the survivability of credit unions and the cooperative financial institution.

- *Pass and enact H.R. 3461 (Capito), with regards to the oversight and appeal of financial institutions examinations.* Credit unions have great appreciation for our regulators and the job they have to do. However, a lesson from this crisis is that our regulators need to adapt to circumstance. Evaluating a credit union in 2006 is different from evaluating a credit union today. Credit unions need a voice to appeal examinations when practices do not apply uniformly across all 50 states.
- *As legislation advances regarding the Government Sponsored Enterprises (GSE), Fannie Mae and Freddie Mac—ensure that credit unions have access to the secondary market.* Credit unions did not create this financial crisis. However, to address liquidity concerns as currently pending in a rule by the National Credit Union Administration, credit unions need access to multiple sources of liquidity. Ensuring credit union participation in the GSEs allows credit unions the sources of liquidity to continue to issue safe and sound loans.
- *Pass and enact H.R. 3993 (King), authorizing the National Credit Union Administration to issue forms of supplemental capital to credit unions – further increasing reserve capital levels.* As mentioned above, when SONPECO's capital levels dropped as a result of economic conditions, we had two options –cut jobs or cut expenses, which affect jobs within the community. The current credit union capital structure is outdated. Under today's system, credit unions are penalized for issuing responsible loans and helping consumers who want to bank at a locally owned financial institution. Had H.R. 3993 been law during the start of this crisis,

it is very likely it would have saved half of the credit unions that were eventually merged, ceased, or liquidated.

- *Pass and enact H.R. 1418 (Royce), raising the credit union business lending cap to free new tax-payer free capital for small business lending.* While the topic of this hearing is related to the housing crisis, home ownership does not exist without jobs. Credit unions across the nation have the ability to lend $13 billion in new capital and create 140,000 new jobs without costing the taxpayer a dime. Credit unions live under an arbitrary cap on the creation of business loans. Extending this cap, which the NCUA and Treasury Department have endorsed, frees up capital for new small businesses. For Nevada, this means new credit unions entering the business loan market and new jobs, not only in the public, but at those credit unions too.
- *Request that the NCUA consider the impact of Nevada's economic climate in their pending regulations on loan participations, troubled debt restructures, credit union service organizations, liquidity, and derivatives.* As mentioned above, the NCUA currently has several pending regulations to enact. While their mission is to examine credit unions as a whole, circumstances are different in the Silver State. The survivability of any home-grown financial institution lies solely in the way in which it is forced to comply with regulation. While a regulation might work well for Midwest and southern credit unions, in Nevada it is simply not the case. As Members of Congress, and as the subcommittee with examination authority, I strongly encourage you to review the pending regulations and ensure that they contain flexibility for remaining credit unions in Nevada.

Nevada's 2.7 million consumers need choices in the financial services market place. The lessons of the last 5 years have shown us that banking is done best when it is done local. Credit unions serve our members locally. Our ways are not set by shareholders on Wall Street, but owners here—locally, in our home towns. As you take the testimony of others here in the Silver State, I hope you have come to the same realization that credit unions are the last line of defense for our communities. Helping credit unions thrive means helping the American public thrive.

Thank you again for the opportunity to be here today. If I can be of any service to the committee, please feel free to contact me at 702.940.2490.

Submitted

Susanne B. Longson

Vice-President, Business Development and Community Relations

SCE Federal Credit Union

Keith Lynam

Testimony for the March 15, 2012 Field Hearing of the House Committee on Financial Services' Subcommittee on Financial Institutions and Consumer Credit

Good morning Mrs. Chairman, members of the subcommittee. My name is Keith Lynam, of Las Vegas, Nevada, a REALTOR® and Sales Associate with Windermere Prestige Properties. I am a member of the Nevada Association of REALTORS®. Thank you for recognizing the unique situation we are experiencing in Nevada by having a field hearing of your subcommittee in Las Vegas today.

As you know, Nevada is the hardest hit state for foreclosures, and has been leading the nation in foreclosures for five years straight according to RealtyTrac, a company that tracks foreclosure data across the country. People in Nevada are frustrated. Most are underwater – numbers released for the fourth quarter of 2011 by the research firm CoreLogic indicates that 61% of homeowners with mortgages in Nevada are underwater, compared to 22.8% nationwide. The next two states with the highest proportion of underwater homeowners are Arizona with 48% and Florida with 41%. Clearly, the magnitude of the problem in Nevada is unique and very serious.

Up until now, the federal government has put in place a number of programs to help struggling homeowners throughout the country. Unfortunately, the situation is so dire in Nevada, most of our citizens have been unable to access this help due to the various programs guidelines. We need help...but the one size fits all approach has left us in the dust.

Our reality here in Nevada is that the real estate market is intimately tied to our overall economy and to job creation. Our economy will not recover without housing recovery. They go hand in hand. Getting our housing market back on track is the only way to help our economy recover and get jobs back in our community.

At the end of 2010, the Nevada Association of REALTORS® produced a comprehensive study on the depth and scope of the foreclosure crisis in Nevada. The study focused in on hundreds of Nevadans who had personally experienced foreclosures; hundreds of others who were living in neighborhoods decimated by foreclosures; public opinion surveys focused on the causes, and the help available; focus groups attempting to understand the personal stories as the crisis unfolded, and an analysis of the thousands of data points to better understand the numbers behind the crisis. The report was the first of its kind in Nevada to really get underneath the problem and identify solutions. The finds were astonishing: a) nearly one quarter of those surveyed admitted that they "strategically defaulted" or "walked away" from their home; b) federal and state programs for struggling homeowners are having little effect in Nevada; c) the frustration between the homeowners and the lenders is palpable; d) there is no solid evidence to suggest that the vast number of those experiencing foreclosures are victims; e) finally, many homeowners who fell into foreclosure were plagued with circumstances largely out of their control – the "Plus One Effect." A copy of the report itself and the survey work done is made a part of this testimony.

This report was groundbreaking for the Association, and for Nevada as a whole as it took a comprehensive look at the problem. More importantly though, it drove state legislation in Nevada to address some of the findings in an effort to assist struggling homeowners.

I am happy to report that the next phase of the report is currently underway, and we anticipate having results back in early summer. We will be happy to pass those additional findings on to Congressman Heck's office.

On behalf of the Nevada Association of REALTORS®, I would like to thank Congressman Joe Heck for introducing H.R. 4172, the Second Chance at Homeownership Act. That bill is a great start in helping some of our citizens re-enter the housing market after a foreclosure, and in stimulating some positive movement in the real estate market.

But if we take a step back, there is another solution for our underwater homeowners, before a foreclosure occurs, especially when a loan modification is not possible. And that is a short sale.

We need banks to start approving short sales. Banks are rarely interested in working with homeowners and real estate professionals because the incentive is not there for them from a business perspective to keep the homeowner in their home, or let them get out of a poor financial decision. And despite Nevada's attempts this past legislative session to incentivize the banks to work with real estate professionals and homeowners, banks continue to drag their feet. But today, in Nevada, it is much harder for banks to foreclose on properties and to pursue deficiency judgments, not impossible, just tougher. Moreover, as long as government bails the big banks out, the banks will not have any incentives to work in good faith with distressed homeowners in negotiating a short sale. We also need help with getting short sales approved through Fannie Mae and Freddie Mac. Their rules are so stringent right now, that they will not postpone a trustee sale, even when there is a short sale offer that is almost completed, and they also demand minimum prices that are above appraised value. We need the banks to step up and do what's right: talk to the people who are struggling to make ends meet, the people who want to do the right thing, those of us who are looking for a light at the end of the tunnel.

In addition, the one size fits all mentality is not working in Nevada. Our marketplace is not like St Louis, or Dallas or Missoula, Montana, where I am from. Therefore, structuring federal programs, which meet those marketplaces, and not the Las Vegas or Reno marketplaces, is fruitless and frustrates homeowners even more.

Part of the solution to our housing crisis also involves strengthening our main street lending. Right now, FDIC rules and regulations end up shutting down our smaller local and community banks, and the big banks gobble them up. We need to find a way for the smaller banks to survive and create opportunities for individuals to obtain financing locally.

More importantly, for the last half a century, owning a home has been a fundamental to the American Dream. A former colleague of Congressman Heck in the Nevada Legislature once said that Las Vegas is the place where a housekeeper, or cocktail waitress can truly realize the American Dream. Well, for many Nevadans, that dream has been extinguished in this market. H.R. 4172 is part of an effort to reignite the American Dream for many Nevadans. It helps homeowners get back up on their feet and get a fresh start again, and hopefully learn from their mistakes. It is what makes this country great. As Americans, we are good at dusting ourselves off, picking ourselves up, and getting back upon our feet. Congressman Heck's measure goes a long way towards responsible homeownership.

And the last point I would like to make is that when a foreclosure is necessary, the banks need to have a viable way to proceed in doing so. Properties need to be returned to the free market as fast as possible. Here in Las Vegas, we are currently seeing a declining supply of available properties – absorption is not a problem. Being able to offer foreclosed properties to new buyers is essential to our recovery. Creating rental pools with foreclosed properties will only further delay the recovery of our housing market, and our economy as a whole.

Thank you for giving me the opportunity to speak to you this morning. I am available to answer any question you may have.

Statement of Senator Dean Heller
House Financial Services Committee
Field Hearing on
"An Examination of Potential Private Sector Solutions to Mitigate Foreclosures in Nevada"
March 15, 2012

I want to start by thanking my friend, Congressman Joe Heck, and Chairwoman Capito for being leaders in initiating this important hearing "An Examination of Potential Private Sector Solutions to Mitigate Foreclosures in Nevada." While the Senate schedule prevents me from being with you to discuss this vital issue today, I want to add my voice to those concerned about the ongoing foreclosure crisis in Nevada.

As the nation's leader in foreclosures, no state understands the consequences of falling home values more than Nevada. Something has to be done to stop home prices from falling and put an end to this crisis. The real estate market provided the base for the economic growth Nevada enjoyed for 30 years, and it will be essential in leading us out of the current recession. Strengthening home values while keeping Nevadans in their homes will help stabilize the housing market and provide the needed relief for those struggling with their mortgages.

I recently introduced the Keeping Families in Their Home Act, which would help stabilize home prices, preserve our neighborhoods, and allow families a chance to stay in their homes. This legislation would allow financial institutions to offer long-term leases for foreclosed homes to the previous homeowner. The legislation is designed to give families an opportunity to stay in their homes and ease the pressure that foreclosures put on home values.

Congress needs to develop policies that not only promote responsible homeownership, but also job creation, in order to assure that Nevada and our nation will experience the economic growth that promises optimism and prosperity.

I want to thank my colleagues for holding this important hearing, and look forward to continuing our partnership to support Nevadans who continue suffering during these difficult times.

Additional Information Submitted for the Record by Janis Grady

Here is what I would like to add to my testimony for possible problems and their solutions:

1. Under the appraisals section of my testimony, I want to add that we need to stop allowing Zillow to be used as an authority on home values in place of appraisers with live inspections as Zillow does not take upgrades nor increased lot size/acreage into account and will continue to pull our values down.

2. In talking with a Mortgage Broker in Virginia, one of their solutions to a problem with 2nd mortgage not being subbordinated for modifications and refinances,
they have made it mandatory for auto subordination of 2nd mortgages to allow the HARP 2.0 program to work for more people. This is something that would work well here too.

3. Another problem which came to my attention during the testimory from others is that people in the middle of mediations, modifications and short sales are getting foreclosed on despite being in the middle of these handlings. This is probably due to banks left hands not knowing what their right hand is doing. My proposed solution to this is to have "mechanic liens" filed on title through the title company when there is a mediation, modification or short sale in process so the "lien" puts a halt to any foreclosure allowing the mediation, modification or shortsale to work.

Good afternoon Representative Heck,

I am a mortgage advisor in Las Vegas and have an initiative for you to consider. Currently, constituents that hold first and second mortgages have increasingly difficult times consolidating the two mortgages into one. An alternative is to refinance the first mortgage and subordinate the second mortgage back to second position. Unfortunately, lenders' subordination departments often have troubles developing their own guidelines when it comes to these situations.

My suggestion is to introduce legislation that instructs second mortgage holders to automatically subordinate certain refinance transactions. The second lien holder stands to lose everything in the event of foreclosure - foreclosure being an extremely prevalent problem for your constituents.

The certain refinance transactions mentioned would include the following:

1. New loan must be Rate and Term. No Cash-Out transactions allowed.

2. Must improve interest rate if refinancing fixed rate. If current loan deemed exotic in nature due to variable rate, balloon, or negative amortization features, this may be waived.

3. Maximum second balance to be auto-subordinated of $150k. Anything above the $150k threshold may encounter problems in underwriting anyway.

Net tangible benefit of the first mortgage being refinanced is already considered during underwriting, so I believe it does not need to be addressed.

This is a no-brainer and, I believe, would meet minimal to no resistance by committee and banks. Constituents will also hold you in high regard for taking down the red tape that holds them back from saving their home. At a minimum, constituents stand to benefit from advancing their household cash flow. Many individuals pay one or more of the following during their loan process: appraisal fee, application fee, lock-in fee, inspection fee, faxing documents and printing documents. That money is lost if an appraisal value does not support either a) combining the first and second mortgages or b) refinancing the first mortgage and subordinating the second mortgage.

I do have a colleague in the state of Virginia that helped a similar bill to be passed. The bill passed unanimously through all phases. This bill can be viewed here: Virginia 55-58.3 . I am willing to take part in whatever is requested of me to help my community as I strongly believe in this initiative's importance.

I hope this finds you well. Please let me know how I can help further.

Sincerely,

John Paul Mulchay
Senior Mortgage Advisor
Alderus