Testimony of

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Chairwoman Waters, Ranking Member Capito and Members of the Subcommittee, I'm Mary Coffin, head of Wells Fargo Home Mortgage Servicing.

Throughout this crisis, the mortgage industry and the government have collaborated on ways to reduce foreclosures and stabilize the economy. We believe the spirit in which the Homeowner Affordability and Stability Plan was designed is yet another positive step forward in addressing these challenges. In the coming weeks as details of the plan are defined, we fully support striking the delicate balance between providing aggressive solutions for those in need and guarding against moral hazard.

From the beginning, Wells Fargo has been committed to doing what is right for our customers and our country by making homeownership achievable and sustainable for millions of Americans.

Last year, we made it possible for half a million families to purchase a home, and we refinanced another half a million families into lower mortgage payments. At the end of 2008, for the 8 million mortgage customers Wells Fargo services, 93 of every 100 were current on their mortgage payments. And, for the 7 who were not, we have worked hard at keeping them in their homes. Since our servicing portfolio is predominantly held by other investors, this has required gaining consensus to honor our contracts.

Over the past year and a half, through our *Leading the Way Home®* program, we have delivered more than 706,000 foreclosure prevention solutions. We work with all our customers – including those not yet in default – to determine if they qualify for a modification. They simply need to prove they have experienced a hardship that significantly changed their income and/or expenses. When we do modify a loan, about 7 of every 10 customers remain current or less than 90-days past due, one year later. We connect with 94% of our customers two or more payments past due. To be responsive to requests for help, we have more than doubled our staff to 8,000 team members – all U.S.-based.

These times are unprecedented, and we certainly are not perfect. But we do our best, and thank the members of this committee for taking your personal time to reach out to us when our service does not meet the standards we have set, so we can immediately work to correct the situation.

When we are unable to find a solution for a customer, we believe we can lessen the impact on the community by accelerating the sale of the foreclosed home. This includes maintaining the property and paying utility and tax bills. We discount foreclosed properties for sale to government or tax-exempt organizations, and provide financial support when our team members volunteer to rehabilitate foreclosed homes for low-to-moderate income families. Over the past two years, Wells Fargo has made $33 million in grants to non-profits to sustain neighborhoods.

When the foreclosure crisis began two- and a half-years ago, the first customers challenged were those with subprime ARM loans, and the primary challenge our industry faced was contacting at-risk customers. Wells Fargo was instrumental in addressing these issues by recommending an industry-wide streamlined process to modify ARM resetting loans into fixed products, and creating the HOPE NOW Alliance which has greatly improved our ability to connect with and work with our at-risk borrowers. But clearly as the housing and economic crisis has compounded, servicers have needed to keep pace with emerging trends and go deeper with modification tools to provide sustainable solutions. In the fourth quarter of 2008 alone, we provided 165,000 solutions – or three times what we provided in the same quarter of 2007 – including term extensions, interest rate reductions and/or principal forbearance. As another example, given the unique nature of the Wachovia Pick-a-Payment option ARM loans, we are using more aggressive solutions through a combination of means including permanent principal reductions in geographies with substantial property declines. In total, 478,000 customers will have access to this program if they need it.

The impact of the deteriorating economy has created additional challenges for borrowers. This evolving landscape has required us, as a leading servicer, to provide ongoing insights and recommendations that address the ever-changing trends. As the number of customers in need rises, Wells Fargo has advocated the creation of a standardized modification process that is aligned across all investors. The one described in the Administration's plan will significantly improve our ability to serve more customers and to set appropriate consumer expectations for a modification. According to third quarter 2008 Federal Housing Finance Agency (FHFA) statistics, 56% of the nation's 55 million mortgage loans are owned by Fannie and Freddie – who are already aligned with this new process. But most critical are the 16% held by private investors, which represent 62% of seriously delinquent mortgage loans.

In the modifications we do today, loan terms are adjusted to achieve at least a 38% affordability target. By bringing borrowers who need more help to a 31% target – as defined in the Administration's plan – we further increase the odds they can better manage their overall debt, lessening the likelihood of re-default.

Importantly, the plan does not overlook providing solutions for those responsible borrowers who continue to make their payments but find themselves in an upside-down mortgage. We applaud the balance created in providing them with refinancing solutions, as well as the commitment to keeping rates low and providing incentives for first-time homebuyers.

Even though the details of the Administration's plan are not final, Wells Fargo has already begun to operationalize the proposed standard modification program. Immediately after the President's announcement, we were ready to assist our customers with information through our web sites, voice response units, and team members. And, our analysis to find customers who may qualify is well under way.

While the measures we have discussed today will go a long way in addressing our nation's housing challenges, even more can be done through our continued collaboration. For instance, FHA should be granted the authority to expand the 601 Accelerated Claims Disposition program to allow the assignment of mortgages to FHA and the payment of claims upon modification of the FHA loan. We also have recommended changes to Hope for Homeowners that we believe will make this program a more attractive alternative for at-risk customers.

When asked what makes it difficult for us to help more borrowers, it is simply that their challenges are complex. Income disruption is at the root of the issue. Many customers are in variable or commissioned income situations that began destabilizing in the early part of the crisis. The full impact of unemployment and under-employment is still unknown. There are many unfortunate hardship cases but there are also people who got caught up in the excess of the growing economy and real estate values who can no longer sustain the lifestyles to which they have become accustomed. No loan modification, alone, can solve this dilemma. In certain circumstances, counseling which considers full debt restructuring is required.

We look forward to continuing to work with you on ways to turn the housing and mortgage industries around, and will assist in any way possible to advance the issues we have addressed today. Thank you for your time.