

**“Legislative Proposals to End Taxpayer Funding for Ineffective
Foreclosure Mitigation Programs”
Hearing before the House Financial Services Committee’s
Subcommittee on Insurance, Housing, and Community Opportunity
Wednesday, March 2, 2011**

Chairwoman Biggert, Ranking Member Gutierrez, and Members of the Subcommittee, I am Steven Gillan Executive Director of American Alliance of the Home Modification Professionals. Thank you for the opportunity to submit testimony in support of HAMP.

“HAMP Fatal Flaw”

Twenty months into HAMP and the Obama Administrations efforts to slow foreclosures with its many troubles still exist. This is evident from all the processing problems we still see and hear about on a daily basis, from lost documents, improper calculation of income, poor knowledge and implementation of the underwriting guidelines, 4, 6, 12, 20 months for approval and now the Robo signing situation. The list goes on and on but yet after all this time we do not see improvement. Now we find a “Fatal Flaw” in HAMP that could be our last chance to fix the problems.

What we do see is a level of frustration from all interested parties; we have the investor who hired the servicer under a Master Servicing Agreement (MSA) who can not get their servicer provider to even respond to their inquiries. These investors are losing money and are being charged a continuous stream of fee’s to deal with the foreclosure process. We have the Homeowner who is making ever effort to comply with the servicers’ continuous request for more and more documentation even though they where sent ten times. Than there are our government representatives from the State level to Congress wondering what is going on. Hearings are held in the House and Senate with all witnesses, excluding the Bank/Servicing Industry, all testifying to where the problem lies.

The plan in the beginning was to create MHA/HAMP where Treasury would provide an over all strategy, guidelines, policy directives and alterations as required to try and meet the overall objectives of stabilizing real estate values nationwide. Treasury hired Fannie Mae and Freddie Mac to run the programs, Freddie as its compliance team and Fannie as the agency responsible for implementation. After all this time it is evident the program is failing for reasons as mentioned earlier.

To Treasury's credit they have tried to work with the servicing industry to make the plan workable. They have implemented directive after directive to deal with the challenges and shortfalls of the original program. The frustration is evident at Treasury and in Congress with the failure of the servicer to follow guidelines as designed. The servicer claim they are doing everything possible giving a host of reasons, excuses, why after all this time they can not get their programs, manpower or technology working.

Now we have the Robo signing issue which they (servicers') have admitted to being part of. Employees signing documents where the signers' attests to having full knowledge that the information within the documents is true, to the best of their knowledge, and a notary stamp certifying the same.

Lets review; twenty four (24) of improper implementation by the servicer, millions of people out of their homes, millions of below market REO's on the market and now Robo signing. If the servicer has willingly taken part in Robo signing in the hundreds of thousands why is anyone to believe they did not cut corners in the underwriting process. Based on all the evidence delivered by witness after witness, with report after report, from many different entities both in and outside of the government is a forgone conclusion why HAMP is failing.

Treasury could implement a component in HAMP that deals with compliance. It is a tool that has been built into the guidelines for compliance of policy by the servicer. This job is contractually the responsibility of Freddie Mac. It is a tool that allows Freddie Mac to review the servicer operation and procedures to assure that all applications for HAMP are given the same treatment. This compliance operation is part of the Participating Servicing Agreement (PSA) that over one hundred servicers have signed with Treasury. Part of this guideline is the "Escalation" process where a homeowner that has been denied a modification has the ability to have their case reviewed by Treasury. Treasury has hired Homeownership Preservation Foundation (HPF) to handle those calls. According to Treasury it is the job of HPF to work with the homeowner and servicer to try and iron out differences, to act as an advocate of the homeowner with the servicer.

In the past week Treasury has announce a program for greater use of this "Escalation" process. The troubling part of the above process is this; during that escalation process no one checks the servicer work product. When this homeowner was denied a HAMP modification or the process is taking ten to twenty months no one checks if the servicer underwriting was correct to start with, no one request to see the files to determine if that homeowner does or does not actually meet the guidelines. Again are we just to believe the servicer did the job correctly or that the file is not being dragged on for financial gain.

This is the "Fatal Flaw" in HAMP which has doomed it to failure because no one is checking on the servicer. How can Treasury assure that homeowner or the American Taxpayer that the particular file did not "in fact" qualify for a HAMP modification if no one determines that it was underwritten properly? The servicer can do and say what ever they want and Treasury or the homeowner has not recourse but t accepts their conclusion.

A strong “Escalation” process performed by a neutral third party can either affirm or dispute those finding. With cases that the decline is valid based on HAMP underwriting guidelines everyone knows where they stand and they all move on. In a case where the servicer did “in fact” make a mistake - a completed modification application, fully underwritten by a HUD Direct Endorsed Underwriter, would be given to the servicer for them to review and completion of the process. This Escalation process would also give Treasury the information they need to verify if the servicer is doing the right job and take action on those they are not. It would let the servicing industry know that they can not continue to perform they job poorly because no one will check on them. The hope would be to get the servicer, due to competition that they no longer have a monopoly on the process to act properly.

Unfortunately at this time Treasury has stated clearly on two separate occasions they have no intention of performing this function even though it is mandated by HAMP, makes sense to actually “review” a file for accuracy and they have been presented with a plan to implement a program immediately by our organization. With out this what recourse is left to the investor and homeowner, the answer is possible the Courts but that takes a long time which will continue to just slow the process. This does not benefit anyone but the servicer. This “Fatal Flaw” needs to be corrected and can be.

We do not support the cancelation of HAMP rather that Treasury use tools available to them to insure compliance by the servicing industry. To cancel HAMP would be to return the process back to the servicers. Millions of American Families, investors, our housing market and over all economic recovery can ill afford to let this happen.