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2157 RAYBURN HOUSE OFFICE BUILDING

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MAJORITY (202) 225-5051
FACSIMILE (202) 225-4784
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July 1, 2010

The Honorable Timothy F. Geithner
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Geithner:

The failure of the Obama Administration's \$75 billion Home Affordable Modification Program ("HAMP") has been well-documented.¹ Over the course of five hearings of the House Committee on Oversight and Government Reform, we have heard bipartisan, near-universal acknowledgement from every observer outside the Treasury Department that this massive government intervention is simply not working.² The evidence of HAMP's failure is overwhelming, and it points to only one conclusion: the program should end immediately.

By Treasury's own metrics, HAMP is reaching only a tiny fraction of those homeowners whom the program was designed to help. Despite promising to help three to four million homeowners avoid foreclosure by providing help that is "sustainable over the long term,"³ HAMP has only reached 346,816 borrowers through permanent

¹ For a detailed explanation of the failures of HAMP and the Obama Administration's mortgage modification efforts, see "Treasury Department's Mortgage Modification Programs: A Failure Prolonging the Economic Crisis," Committee on Oversight and Government Reform, February 25, 2010. Available at <http://republicans.oversight.house.gov/images/stories/Reports/2-25-10Treasury.Report.pdf>. See also SIGTARP, "Factors Affecting Implementation of the Home Affordable Modification Program," March 25, 2010. Available at http://sigtarp.gov/reports/audit/2010/Factors_Affecting_Implementation_of_the_Home_Affordable_Modification_Program.pdf.

² Hearings of the House Committee on Oversight and Government Reform, March 25, 2010, and June 24, 2010; hearings of the Domestic Policy Subcommittee, November 2, 2009, December 7, 2009, and February 25, 2010.

³ Making Home Affordable Administrative Website for Servicers, "Home Affordable Modification Program: Overview," available at <https://www.hmpadmin.com/portal/programs/hamp.html> (accessed June 30, 2010).

mortgage modifications.⁴ Even this number is overshadowed by the fact that 436,053 borrowers have been kicked out of program so far.⁵

Unfortunately, many of the homeowners who have received a permanent mortgage modification through HAMP are unlikely to succeed through the program. Industry observers predict that as many as 75 percent of HAMP borrowers will ultimately default on their mortgages and face foreclosure.⁶ As the nonpartisan Special Inspector General for TARP recently reported, even if HAMP were to ultimately succeed in producing millions of permanent mortgage modifications,

[T]he program will not be a long-term success if large amounts of borrowers simply re-default and end up facing foreclosure anyway.⁷

At the Committee's most recent hearing on HAMP,⁸ we heard testimony from five of the largest mortgage servicers indicating that HAMP's taxpayer-funded incentives for mortgage modifications have made little to no impact in practice. While these servicers reported over three million mortgage modifications, only 205,800 borrowers, a paltry seven percent of the servicers' modifications, received permanent mortgage modifications through HAMP.⁹ The remainder of the borrowers who have been helped by permanent mortgage modifications received assistance through the servicers' privately-funded programs.¹⁰

Testimony was also presented showing that private mortgage modification efforts were substantially disrupted by HAMP. According to one expert,

⁴ Department of the Treasury, Making Home Affordable Program Servicer Performance Report Through May 2010, available at <http://www.financialstability.gov/docs/May%20MHA%20Public%20062110.pdf>.

⁵ *Id.* (reporting that 429,696 temporary modifications and 6,357 permanent modifications have been cancelled).

⁶ See, e.g., Diana Golobay, "55-75% of HAMP Mods Could Re-Default under Fitch Projections," *HousingWire*, June 16, 2010, available at <http://www.housingwire.com/2010/06/16/55-75-of-hamp-mods-could-re-default-under-fitch-projections>. See also James Hagerty, "High Default Rate Seen for Modified Mortgages," *The Wall Street Journal*, June 16, 2010, available at <http://online.wsj.com/article/SB10001424052748703280004575308992258809442.html>.

⁷ SIGTARP, "Factors Affecting Implementation of the Home Affordable Modification Program," March 25, 2010. Available at http://sig tarp.gov/reports/audit/2010/Factors_Affecting_Implementation_of_the_Home_Affordable_Modification_Program.pdf.

⁸ See "Foreclosure Prevention Part II: Are Loan Servicers Honoring Their Commitments to Help Preserve Homeownership?," Hearing of the House Committee on Oversight and Government Reform, June 24, 2010, available at http://republicans.oversight.house.gov/index.php?option=com_content&view=article&id=816%3A06-24-2010-full-committee-foreclosure-prevention-part-ii-are-loan-servicers-honoring-their-commitments-to-help-preserve-homeownership&catid=12&Itemid=20.

⁹ *Id.* See also "Private Mortgage Modifications Overshadow Government Program," *The Atlantic*, June 25, 2010, available at <http://www.theatlantic.com/business/archive/2010/06/private-mortgage-modifications-overshadow-government-program/58770/>.

¹⁰ *Id.*

HAMP[’s] greatest shortcoming was that it derailed burgeoning private sector efforts to effectively modify loans. ... [The] private sector had been rapidly ramping up its modification efforts [before HAMP was announced]. ... [T]hese private efforts were achieving success as evidenced by rapidly decreasing re-default rates. ... HAMP ... reversed the upward trend in the numbers of modifications. HAMP hopelessly tied the modification process up in knots.¹¹

Moreover, the servicers testified that most, if not all, of the borrowers who received modifications funded in part by taxpayers through HAMP would have qualified for modifications through the servicers’ private programs if HAMP did not exist.¹² Even many of the homeowners who were kicked out of HAMP received assistance from the servicers’ private programs. According to Treasury data, almost half of the borrowers kicked out of HAMP were able to receive assistance through an “alternative modification.”¹³ In other words, HAMP has proven to be largely superfluous, and thus a waste of taxpayer money. Taxpayers should not be forced to continue funding a program that squanders their money by providing incentives to banks to modify mortgages that they would have modified anyway.

While the private sector has been willing to work with many homeowners, the unfortunate and painful reality is that many borrowers across the country have lost their homes. The pain many of these Americans feel has been magnified by the false hope created by the Obama Administration’s HAMP promises. The *New York Times* reported that “desperate homeowners have sent payments to banks in often-futile efforts to keep their homes.”¹⁴ These payments could have been saved or spent on more affordable rental options.¹⁵ In addition, “[s]ome borrowers have seen their credit tarnished while falsely assuming that loan modifications involved no negative reports to credit agencies.”¹⁶ The *Wall Street Journal* also reported that many HAMP borrowers have suffered “crushed hopes,” and have incurred unnecessary fees while they “delay[ed] taking action that might give them a fresh start in a more affordable home.”¹⁷

¹¹ See testimony of Edward J. Pinto before the House Committee on Oversight and Government Reform, June 24, 2010. Available at

<http://republicans.oversight.house.gov/images/stories/Hearings/pdfs/20100624Pinto.pdf>.

¹² See Committee hearing, note 8, *supra*. (According to Barbara Desoer, President of Bank of American Home Loans, “I think many of them would have qualified.” According to Michael Held, Co-President of Wells Fargo Home Mortgage, “right now, with all the programs available, the majority of customers that get a HAMP [modification] would probably get a [private modification].” According to David Lowman, CEO of Chase Home Finance, Inc., “Most would qualify for the [private] program.”).

¹³ See Treasury May 2010 report, note 4, *supra*.

¹⁴ See Peter Goodman, “U.S. Loan Effort is Seen as Adding to Housing Woes,” *New York Times*, Jan. 1, 2010. Available at

<http://www.nytimes.com/2010/01/02/business/economy/02modify.html?pagewanted=print>.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ See James Hagerty, “Loan Aid Leaves Some Worse Off: One in Four in Government’s Mortgage Program is Dropped; Tales of Exhausted Savings,” *Wall Street Journal*, May 18, 2010. Available at <http://online.wsj.com/article/SB10001424052748703315404575250463403570640.html>.

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Thus, HAMP is not only wasting billions of taxpayer dollars, but it is also making many Americans worse off. Instead of the Administration's continued misadventures into housing markets, the American people deserve policies that will facilitate real private sector job creation. The best mortgage modification is a job, and all the taxpayer-funded mortgage modifications in the world will not help those Americans who have lost their jobs due to the Administration's wasteful tax-and-spend economic policies that are stifling economic growth.

Mr. Secretary, transparency, humility, and honesty from the Treasury Department is long overdue. We call on you to stop wasting taxpayer money, stop giving false hope to millions of Americans, and end the HAMP program immediately.

Sincerely,



Darrell Issa
Ranking Member



Jim Jordan
Ranking Member
Subcommittee on Domestic Policy

cc: The Honorable Edolphus Towns, Chairman
Committee on Oversight and Government Reform
The Honorable Dennis Kucinich, Chairman
Subcommittee on Domestic Policy