

March 31, 2008

Chairwoman Maxine Waters
Subcommittee on Housing and Community Opportunity
Committee on Financial Services
U.S. House of Representatives
Washington, DC

Dear Chairwoman Waters:

We are writing to express our strong support for the Foreclosure Prevention and Sound Mortgage Servicing Act of 2008.

Abuses in the mortgage market have resulted in a crisis in which over two million homeowners are expected to face foreclosure. As defaults and foreclosures have increased over the last months, voluntary measures by mortgage servicers have left most homeowners with no long-term solutions to their unaffordable loans. Most homeowners who have received help have been provided only with short-term panaceas, at best.

The Foreclosure Prevention and Sound Mortgage Servicing Act of 2008 addresses this problem by establishing consistent standards for mortgage servicers to do what many claim to be doing already: evaluate a homeowner's situation and provide appropriate loss mitigation. Employing such an approach saves the home for the family, helps keep communities thriving, and saves investors money. Months of voluntary measures have made it clear that legislation requiring better and more consistent servicing standards and practices are needed to avert the massive foreclosure crisis now underway.

The Foreclosure Prevention and Sound Mortgage Servicing Act of 2008 will help homeowners get the deal they deserve from the mortgage servicers who can modify loans to make them fair and affordable to homeowners, and profitable to servicers and investors. The bill's measures include loss mitigation duties and minimum standards for loan servicer communications with homeowners, including:

A duty to engage in loss mitigation. It requires loan servicers to seek alternatives to foreclosure and to prioritize home-saving options, such as loan modifications, over home-losing options, such as short sales. Foreclosures only can proceed after reasonable loss mitigation. Loss mitigation analysis would be required to consider long-term affordability of the home loans, including analysis of junior liens and other secured or unsecured debt. Loan servicers must provide direct phone access to parties with authority to fully resolve loss mitigation matters.

Notice to homeowners with ARMs. Borrowers must be contacted by telephone and in writing to inform homeowners in advance of the date of any payment increases.

Referrals to housing counselors. Servicers are required to refer homeowners who are late on their mortgage payments to HUD-certified housing counselors.

Reporting by loan servicers. Servicers are required to report various loss mitigation activities with specific geographical designations

A duty for loan servicers to respond to homeowners inquiries and requests for information. Servicers must provide timely responses to requests from homeowners for payment histories, loan

documents, and loss mitigation documents. Foreclosures can not proceed while a request for information is pending.

Enhanced remedies. The bill amends the Real Estate Settlement Procedures Act by allowing damages actions for individual violations and increases maximum damages recovery to \$2,000 per violation and \$1 million for class actions.

The Foreclosure Prevention and Sound Mortgage Servicing Act of 2008 would improve consistency and restore fairness to mortgage servicing and give homeowners facing default and foreclosure a chance to save their homes. We look forward to working with you on the bill as it moves through the legislative process.

Sincerely,

ACORN

AFL-CIO

Center for Responsible Lending

Consumer Action

Consumer Federation of America

Lawyers' Committee for Civil Rights Under Law

Leadership Conference on Civil Rights

National Alliance to End Homelessness

National Association for the Advancement of Colored People (NAACP)

National Association of Consumer Advocates

National Community Reinvestment Coalition

National Consumer Law Center (on behalf of its low income clients)

National Council of La Raza

National Fair Housing Alliance

National Low Income Housing Coalition

National Policy and Advocacy Council on Homelessness