

November 13, 2008

The Honorable Chris Dodd
Chairman
Senate Committee on Banking
448 Russell Senate Office Building
Washington, D.C. 20510

The Honorable Richard Shelby
Ranking Minority Member
Senate Committee on Banking
110 Hart Senate Office Building
Washington, D.C. 20510

Dear Chairman Dodd and Senator Shelby:

We are writing to share information on the latest actions taken by HOPE NOW Alliance members to assist at-risk homeowners and prevent foreclosures. On Tuesday, November 11, HOPE NOW joined Fannie Mae, Freddie Mac, and the Federal Housing Finance Agency (FHFA) in announcing the Streamlined Modification Program (SMP), a new effort to help more borrowers avoid foreclosure and reach an affordable mortgage payment.

The SMP is a program to help the most at-risk borrowers stay in their homes by giving them a more affordable monthly mortgage payment in an efficient manner. The program applies to borrowers who are 90 days or more delinquent on their loan, not in bankruptcy, and living in their home, which must be a single family unit. Their loan must be owned by Fannie Mae, Freddie Mac, or one of the participating portfolio lenders and their current loan-to-value ratio must be 90% or higher. With this LTV requirement and the delinquency requirement, the SMP is focused on those most at-risk of foreclosure and whose home is currently worth less than what they owe. In working with the borrower, the servicer will get them to a more affordable payment through extending the term of the loan, lowering the interest rate, and/or forbearing principal. The goal is for every borrower to have a housing payment that is no more than 38 percent of their gross household income. The borrower must provide a hardship statement, verification of income, and signed modification agreement. A borrower must make 3 payments at the new agreed upon payment level and be current at day 90 for the modification to be complete.

It is important to note that this is an additional tool to prevent foreclosure and is compatible with all other efforts. This streamlined process would not replace case-by-case analyses and other efforts servicers are undertaking. This SMP will put in place a streamlined process to assist very at-risk homeowners with mortgages that are owned by Fannie Mae and Freddie Mac, as well as those in the portfolios of participating lenders. This is a significant part of the market. It is not the only solution, but it is real progress in getting help to a significant number of very troubled borrowers.

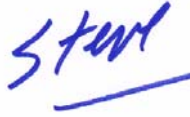
The Program is set to begin on December 15, 2008. All participating servicers will be reporting on the success of the SMP and we will share that data with you as it becomes available.

Attached are a fact sheet on the SMP and a chart that shows how the program will work for homeowners. If you have any questions, please contact Faith Schwartz at faiths@hopenow.com or 202-589-2406.

Very truly yours,



Faith Schwartz
Executive Director
HOPE NOW



Steve Bartlett
President
Financial Services Roundtable



John Dalton
President
Housing Policy Council



John Courson
COO
Mortgage Bankers
Association

CC: Members of the United States Senate

HOPE NOW: Streamlined Modification Program Fact Sheet

Start Date:	December 15, 2008.
Goal of SMP:	Help the most at-risk borrowers stay in their homes through a streamlined process to establish an affordable monthly housing payment. The goal is to reach a monthly housing payment (which includes capitalized past due payments, principal, interest, taxes, insurance and HOA/condo fees) that is no more than 38% of the borrower's monthly gross household income.
How SMP Works:	Participating servicers work with eligible qualified borrowers to reach a more affordable mortgage payment through extending the term of the loan, lowering the interest rate, and/or forbearing principal. All outstanding late fees are waived.
Eligible Borrowers:	90 days or more past due on mortgage, can be in foreclosure, must not be in bankruptcy, owns and occupies the property, and the property is a single family residence.
90% or Higher LTV:	Borrower's current loan-to-value ratio must be 90% or higher. The property value will be determined by the servicer, Fannie Mae or Freddie Mac, depending on ownership of the loan.
Mandatory Escrow:	Escrows for real estate taxes and homeowners' insurance must be set up under this program if they are not currently escrowed.
Required Documentation:	A hardship statement, verification of monthly gross household income, and a signed modification agreement. The homeowner must make the first payment at the modified terms when he or she submits these documents.
3 Months of Payments:	For modification to be complete, borrower must make 3 payments within 90 days at the new modified payment level and be current at day 90.
Counseling Encouraged:	Participating servicers and investors encourage borrowers to seek housing counseling at HUD-approved housing counseling agencies. They can receive free counseling by calling the Homeowner's HOPE Hotline™, 888-995-HOPE or visit www.hud.gov to find a counselor.
Participating Investors:	Fannie Mae, Freddie Mac, and majority of HOPE NOW portfolio lenders/servicers.
Reaching Borrowers:	Participating servicers will send letters to eligible borrowers. Borrowers may also call their servicer to see if they qualify.
Reaching Servicers:	Servicers are encouraged to dedicate separate toll-free numbers and faxes for borrowers interested in SMP. When established, those numbers will be publicized by HOPE NOW and participating investors and servicers.
Reporting:	Participating servicers are required to report on implementation and success of SMP. HOPE NOW will release data on this program on an ongoing basis.
Additional Tool:	SMP is an additional tool to assist homeowners avoid foreclosure. It is compatible with and does not replace other on-going efforts by servicers and investors. If a borrower does not qualify for SMP, they are eligible for a case-by-case review.

STREAMLINED MODIFICATION PROGRAM: STEP-BY-STEP FOR CONSUMERS

