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July 21, 2009

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

Dear Secretary Geithner:

I write to you regarding a number of disturbing foreclosure modification problems that were raised by witnesses at last week's Senate Banking Committee hearing on the issue. As you know, Assistant Secretary for Financial Stability Herbert Allison, Jr. testified at that hearing.

The foreclosure crisis has not only devastated millions of families, but it is the root of our global financial crisis that eliminated millions of jobs and forced millions more families to struggle. If we can help keep responsible families in their homes, we can help solidify our economy. Successfully implementing the administration's loan modification program should be at the top of our list of housing priorities.

I know that the Treasury Department and the Department of Housing and Urban Development have increased efforts to improve the rate of sustainable loan modifications, but much more needs to be done. In particular, servicers and lenders need to be held accountable for their compliance with the agreements they have signed and with Home Affordable Modification Program ("HAMP") guidelines. I am asking the Treasury Department to ensure that there are serious consequences for servicers not complying with their agreements.

The witnesses at the hearing raised several very important concerns that I would like you to address:

- Servicers receive money for loan modifications that don't comply with HAMP guidelines
- Servicers steer homeowners into non-HAMP modifications that might be more lucrative for servicers but not as good for homeowners
- Servicers require that homeowners waive all legal claims or all rights to HAMP review in order to apply for a loan modification
- Servicers require additional down payments to be considered for HAMP modifications
- Servicers advise homeowners that they need to be delinquent on their mortgages to qualify for HAMP or other government loan modification programs

- Servicers are sometimes putting loan modifications “on hold” until they have loan modification systems in place
- Foreclosures proceed even for homeowners who have applied for loan modifications
- Lack of transparency, particularly with respect to the Net Present Value test not being made public. Without such information, borrowers don’t know if servicers are either lying or mistaken about whether their application for loan modification meets HAMP guidelines
- Lack of a good appeals process for homeowners whose loan modification applications may not have been calculated correctly

I look forward to your prompt response indicating how the Treasury Department is addressing each of these problems and what penalties have been levied on servicers for failing to comply with HAMP guidelines. I also look forward to working together to achieve our mutual goal of restoring stability to our nation’s housing market, and thus our economy, while also ensuring adequate protections for consumers.

Sincerely,



ROBERT MENENDEZ
United States Senator