

TESTIMONY OF
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BANK OF AMERICA
Before the
HOUSE FINANCIAL SERVICES COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES
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Good morning, Mr. Chairman, Ranking Member Bachus and Committee Members. I am Michael Gross, Bank of America's Managing Director of Loan Administration Loss Mitigation. Thank you for the opportunity to appear here today to update you on the efforts of servicers like Bank of America to help families prevent avoidable foreclosures.

Let me start by saying that Bank of America is committed to doing its part to help individuals and families who are suffering from the devastation resulting from Hurricane Ike. We already have announced our disaster relief program for 29 counties in Texas and 10 parishes in Louisiana that have been most heavily impacted by the Hurricane. Bank of America mobile ATM units and mobile banking centers staffed by Bank of America associate volunteers are being positioned around the Houston area to assist impacted customers with their banking needs. Under the Company's disaster relief program, customers may qualify to receive emergency credit line increases on their Bank of America credit cards, access to special no-cost loans and lines of credit, and penalty waivers on withdrawals from time deposits and existing Bank of America IRAs.

With respect to Bank of America and Countrywide mortgage customers whose homes have suffered hurricane-related damage, or who have temporarily been unable to return to work, we will offer payment forbearance, waive late fees, and decline to report overdue payments to credit reporting bureaus during the forbearance period. Importantly, we are suspending foreclosure sales for properties with confirmed damage, subject to investor requirements. We will continue to monitor effects of the Hurricane to determine whether the relief program needs to be expanded.

I also want to reaffirm to the Committee Bank of America's support of the Hope for Homeowners program in the Housing and Economic Recovery Act of 2008 and assure you that

we are engaged in efforts to utilize the new tools that it provides. We expect the Hope for Homeowners program will contribute to efforts to bring stability to the housing market, and we believe it will help both homeowners and investors alike. To that end, we are actively making and continually refining preliminary assessments as to which customers whose mortgage loans currently are in foreclosure may qualify for the program. We are proactively contacting these customers to confirm their eligibility for, and interest in, participating in the program. Subject to investor consent and state procedural considerations, we will avoid completing foreclosure sales for the customers identified while the implementing regulations are being drafted.

As the leading lender and servicer of mortgage loans in the country, following the acquisition of Countrywide in July 2008, Bank of America understands and fully appreciates our role in helping borrowers in these difficult economic times. We are committed to being a responsible lender and servicer, and facilitating home ownership and retention. Bank of America recognizes its responsibilities to improve the mortgage lending process by offering a range of products that respond to market and consumer needs, are sustainable and fair, and includes terms and features that are understood by our customers. To accomplish this, we are improving the mortgage origination process through affordable product offerings, enhanced sales and underwriting controls, and clear borrower disclosures and education materials. We are also continuing to make affordable mortgages available to those traditionally underserved, including low- to moderate-income and minority households.

Bank of America is leading the mortgage industry out of today's challenging environment. We know that consumers who are experiencing financial challenges, but who ultimately have the ability to repay their loans, often need our help to stay in their homes. We are ready to help them. We do so because *no one* benefits from a foreclosed home. Our continued

goal is to modify and workout at least \$40 billion in mortgages by the end of 2009, helping to keep over a quarter million families in their homes.

In response to the needs of our customers, we have added more staff and improved the experience, quality and training of the professionals dedicated to loss mitigation. Over the past 18 months, the combined home retention staff for Bank of America and Countrywide has more than doubled, to over 5,000, and the company has committed to maintaining no less than 3,900 home retention professionals to assist customers, until at least July 1, 2009. We will continue to maintain sufficient staffing levels to ensure that we are responsive to our customers.

The Countrywide acquisition closed on July 1, 2008. Legacy Countrywide's data reflects that in the months of July and August 2008 we successfully completed over 52,000 home retention workouts, a 326% increase over the 12,300 retention workouts completed in July and August 2007. At the core of our combined operations are the substantial commitments we made to engage in aggressive loss mitigation efforts to help customers avoid foreclosures and remain in their homes. Bank of America is devoting significant resources to modifying and working out loans for customers who are facing default and possible foreclosure. We are continuing many effective home retention practices already in place, and we are improving and supplementing these practices where we can.

Specifically, we are tailoring our workout strategies to a customer's particular circumstance. Bank of America currently uses a range of home retention options to assist customers who are struggling to make their monthly loan payments. These options include:

- Formal and informal workout arrangements that allow customers additional time to bring their loans current;

- Partial claims that involve unsecured, no-interest or low-interest loans to customers to cure payment defaults;
- Loan modifications that may significantly reduce interest rates, extend maturities or otherwise modify loan terms; and
- Targeted strategies for customers facing interest rate resets that include automatic interest rate reductions for up to five years.

Bank of America uses these options to assist at-risk borrowers from the moment we become aware a customer is having difficulty making mortgage payments through the foreclosure process. We continue to be particularly proactive in contacting customers with adjustable rate mortgages who are facing a significant rate reset and providing them with assistance to remain in their homes. We also continue to educate customers about the options available to them and the workout solutions they may be able to employ to stay in their homes.

A key component of successful loss mitigation initiatives undertaken by national servicers such as Bank of America includes partnerships with financial counseling advocates and community based organizations such as Hope Now, NeighborWorks, ACORN, NACA and the Homeownership Preservation Foundation. At Bank of America, we are expanding our efforts to ensure that every customer that needs help and can make reasonable mortgage payments is reached. We are also actively engaged in foreclosure prevention outreach programs with both governmental and community organizations around the country. We will continue to work with investors, the GSEs, regulators and community partners to further identify ways to improve our ability to reach customers with affordable home retention solutions.

Early and open communication with customers is the most critical step in helping prevent foreclosures. So far in 2008, we have participated in more than 200 home retention outreach

events across the country, including foreclosure prevention and “train the trainer” events. We are proactively reaching out to customers by:

- Making an average of 17 attempts per month to contact delinquent homeowners through phone, mail and other means.
- Seeking to contact customers through outbound calls, including nearly 18 million outbound calls in August. These outbound calls resulted in approximately 1 million conversations with at risk homeowners in August.
- Mailing, on average, 800,000 personalized letters and cards each month that offer customers the choice to contact Bank of America, a HUD-approved housing agency, or a nonprofit housing organization.
- Sending company workout counselors to branch offices and events all over the nation to meet directly with homeowners who need assistance.

In the first eight months of 2008, the Home Retention Division completed over 169,000 retention workouts, a 407% increase over the first 8 months of 2007. Again, in the months of July and August 2008, we successfully completed over 52,000 home retention workouts, a 326% increase over the 12,300 retention workouts completed in July and August 2007. I would emphasize here that these are workouts in which the customer enters into a plan to *keep their homes*. It does *not* include deeds in lieu of foreclosures or short sales.

Comparing August 2008 with August 2007, the Home Retention Division workouts are up over 234%. The primary reason for this increase was a 450% jump in loan modification plans, from about 2,800 modifications in August of last year, to more than 15,750 in August 2008.

	2008 Home Retention Workouts Completed	Percent change over similar time period in 2007
January – August	169,000	+407%
July – August	52,000	+326%
	2008 Loan Modification Plans	Percent change over similar time period in 2007
August	15,750	+450%

In addition to sharply increasing the pace of workouts, we have also become more aggressive in the types of workout plans completed. Since we announced a series of home retention initiatives last autumn, loan modifications have become the predominant form of workout assistance. Year to date, through August of 2008, loan modifications have accounted for more than 74% of all home retention plans, while repayment plans accounted for 12% of home retention plans. Prior to the programs announced last year, loan modifications accounted for less than one-third of all home retentions. These loan modification plans generally result in holding in place or reducing the loan's interest rate, and consequently reducing the customer's monthly payment. Interest rate relief modifications – where the servicer freezes or reduces the borrower's interest rate – were extremely rare until late last year. Today, interest rate modifications account for 67% of all the loan modifications completed in 2008. Importantly, the vast majority of these rate relief modifications have durations of at least 5 years.

Bank of America is committed to helping our customers avoid foreclosure whenever they have a desire to remain in the property and a reasonable ability and willingness to make payments. Foreclosure is always a last resort for lenders, for servicers and for the investors in the mortgage securities. We recognize that there is still much more to be done. Today's market conditions challenge us both to expand our existing home retention efforts and to develop new approaches which mitigate losses to investors. This is a critically important undertaking act that

must be done right if we as an industry are going to preserve the flow of mortgage credit to support housing, and at the same time protect communities and neighborhoods from avoidable foreclosures. Please be assured that we are up to the task of meeting the challenges of today's housing market with leading-edge foreclosure prevention technology, training, programs and partnerships.

Thank you and I would be happy to answer any questions you might have.