

TESTIMONY OF
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CREDIT LOSS MITIGATION STRATEGIES EXECUTIVE
BANK OF AMERICA HOME LOANS
Before the
HOUSE FINANCIAL SERVICES COMMITTEE
SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY
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Madame Chairwoman, Ranking Member Capito, and Members of the Committee. Thank you for the opportunity to update you on Bank of America's efforts to help responsible homeowners stay in their homes. I am Jack Schakett, Bank of America's Credit Loss Mitigation Strategies Executive. I report to Bank of America Home Loans President, Barbara Desoer, and have responsibility for foreclosure prevention programs for our mortgage servicing portfolio of nearly 14 million loans.

Bank of America is proud to be a leading partner in the Administration's Home Affordable Modification Program (HAMP) and understands and appreciates the responsibilities that come with that. We are committed to helping the Administration achieve its goal of 500,000 trial loan modifications by November 1. Bank of America is working to transition 125,000 at risk loans into trial modifications by November 1 as part of that goal. We have great momentum as demonstrated by our doubling the number of trial modifications over the course of the last month alone.

Throughout this historic downturn, Bank of America has extended credit to drive economic growth and worked to develop financial solutions for our customers. In the first six months of this year, we've helped 615,000 customers refinance into a more affordable mortgage payment. We were also one of the first lenders to leverage the Administration's Making Home Affordable Refinance program, and to date we have taken 121,000 applications and have completed refinancing under the program for more than 74,000 homeowners.

Bank of America has also been at the forefront of government and industry efforts to assist struggling homeowners. In July of 2008, Bank of America completed the purchase of Countrywide Financial Corporation at a time when that firm was at risk of failure and when its base of customers – the industry's largest – needed the strength and commitment of Bank of America to offer them solutions to sustain homeownership. Just three months later, in October 2008, we announced the creation of our National Homeownership Retention Program to help nearly 400,000 Countrywide borrowers with subprime and pay option ARM products.

Before HAMP implementation, through this program and others, Bank of America and its affiliates completed loan modifications for approximately 170,000 customers from January through July of 2009, compared with more than 230,000 for all of 2008.

We have made important progress under our programs, yet HAMP represents a watershed in loan modifications. The program applies lessons we learned in early efforts across the industry, establishes uniform national standards and provides appropriate incentives to borrowers, servicers and investors. We are confident HAMP enables servicers to help more struggling homeowners and will play a key role in stabilizing the housing markets and promoting economic recovery.

We are working hard and with a strong sense of urgency to ensure HAMP's success. We began months ago establishing an appropriate infrastructure to handle HAMP customer demand and program details. The program is now the first loan modification solution we consider in our home retention efforts. For Bank of America customers who don't qualify for the HAMP, they still benefit from the availability of multiple programs Bank of America continues to offer.

Our recent results reflect the conversion to HAMP as the centerpiece of our home retention efforts. We continue to gain momentum having doubled the number of customers with a trial modification in one month – from approximately 28,000 through July to more than 68,000 through the end of August. In that same period, we also increased the number of offers extended under HAMP to more than 135,000. These numbers reflect our loan modification activity for the entire month of August. We anticipate the August numbers that will be reported by Treasury this week will reflect less than a full month of activity.

Importantly, as we have ramped up, we placed on hold any foreclosure sale for borrowers who may be eligible for HAMP. Those holds remain in place during the time that it takes us to contact and evaluate the borrower and through the trial modification period.

As the largest servicer in America, we recognize the importance of helping our customers sustain home ownership. Significant resources have been devoted to this effort including expanding our default management staffing to more than 11,000 – a 55% increase since the beginning of the year. In addition to personnel, we have devoted substantial systems, training and other resources to our home retention efforts.

We continue to critically look at our loan modification process, and to listen to our customers, community partners, and other stakeholders about how we can improve. Three areas of particular focus right now are how we can make the process more customer-friendly, how we can more efficiently handle customer documentation, and how we can keep customers better informed throughout the process. For example, we are extending our Clarity Commitment™ to loan modifications to provide consumers greater transparency about the terms of their modified loan.

There are other obstacles we continue to confront in our efforts to help as many homeowners as possible realize the benefits of HAMP. Two of the most significant hurdles are customers not providing required financial information and a lack of borrower response to our outreach efforts. We recognize that we have an opportunity to improve our outreach efforts and are working to close this gap.

We have ramped up our outreach efforts through traditional avenues such as mail, telephone, and participation in community events. Since January, Bank of America has participated in more than 167 community outreach events in 27 states. About 50% of customers we reach at these events had no prior contact with us during the last 60 days. We recently started a nationwide door-to-door outreach campaign where we are reaching out to 50,000 customers who have received a trial modification offer but have not yet responded.

We have partnered with the National Council of La Raza, National Urban League, and the National Coalition for Asian Pacific American Community Development in the creation of the Alliance for Stabilizing Communities. And, we provided \$2.5 million in funding to support this national coalition and their work to hold 40 housing rescue fairs over the next two years in 24 communities hardest hit by the foreclosure crisis.

Next week we launch a Customer Assistance Center pilot in California that will provide face-to-face counseling for customers experiencing financial difficulty. The center will be equipped to handle questions on all consumer products including loan modifications. If successful, we will expand it to more locations across the United States.

We will continue to pursue transformative initiatives that increase the number of customers receiving assistance and enhance the sustainability of the loans. As part of this, we are eager to hear and consider all ideas from public officials, community leaders and our customers.

Regrettably there are limits to what the current programs can achieve. Unemployment, lack of interest in remaining in the property and other eligibility issues are current impediments to qualifying for a HAMP modification. With unemployment still near 10%, even the most ambitious loan modification program will not be able to assist borrowers who have no ability to make a reasonable mortgage payment. To address this, we have begun exploring with the Administration methods for allowing responsible unemployed borrowers to stay in their homes. Such relief could include forbearance and temporary rate relief.

Beyond unemployment, we also frequently encounter customers with the following characteristics: 1) low-to-moderate income borrowers that have a mortgage debt-to-income ratio of less than 31%, but do not have enough discretionary income left over to cover all their other necessary expenses; 2) borrowers that can afford their mortgage payment but are unwilling to pay their mortgage debt because they believe it is in their best financial interest to walk away from their underwater mortgage; and, 3) borrowers that have run up too much other debt and are choosing to allocate funds to pay other debt instead of their mortgage. We believe the Administration should expand HAMP to cover the first group of lower income borrowers who could still benefit from this program.

Our goal is to keep as many customers in their homes as possible. Our efforts do not stop if we are unable to apply a HAMP solution. We will exhaust every other available option including our National Homeownership Retention program and other loan modification solutions, as well as short sales and deeds in lieu, when a homeowner chooses to sell their property or has no other option except foreclosure.

Bank of America is committed to driving economic growth, strengthening our communities and supporting our customers. Our pledge is to always be a responsible lender and help create successful homeowners - to ensure that our customers can enjoy their homes with confidence today and far into the future.

The entire mortgage servicing industry is racing against the clock to stem the tide of foreclosures and home loss. We fully understand the urgency and will never be satisfied that we have done enough until the country is through this difficult cycle. I am certain my colleagues in the industry would say the same. The strong focus from the Administration and the HAMP program have added substantially to our collective abilities, but we understand that we have a long way to go under very challenging circumstances. We look forward to continue working with Congress and the Administration on these important issues. I would be happy to answer any questions you might have.