

**Testimony of**

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**Before the**

**Subcommittee on Housing  
Financial Services Committee  
United States House of Representatives**

**September 9, 2009**

Chairman Waters, Ranking Member Capito and Members of the Subcommittee, I'm Mary Coffin, head of Wells Fargo Home Mortgage Servicing.

Thank you for the opportunity to come before this Subcommittee today to discuss our continued commitment to doing everything we can to prevent avoidable foreclosures and to help stabilize the housing market. Wells Fargo may be a big corporation, but we operate with the conscience of a company determined to do what is right for our customers, our investors, and for all American taxpayers.

Since we last came before this Subcommittee in February, much has changed and evolved in our economy and in our efforts to assist struggling borrowers.

- First, we worked hard to implement the very detailed and evolving *Home Affordable Modification Programs* which include different guidelines and requirements for Fannie, Freddie, non-GSE, and most recently FHA borrowers.
- To handle the greater than 200 percent increase in borrowers requesting assistance – including the 35 to 40 percent who are current on their mortgages – we have hired and trained an additional 4,600 U.S.-based home retention staff for a total of more than 12,000.
- As of September 3, we have qualified more than 304,000 customers for trial and completed modifications this year alone. As it pertains specifically to HAMP, we have offered 78,000 customers a trial modification and we have received at least the first payment for about 44,000 of these trial modifications.
- We have further enhanced our support systems, our training and our re-training to aide our service representatives in appropriately communicating modification programs and guidelines as they continue to change and expand to help more borrowers.
- In addition, we have improved the ways we obtain from borrowers the extensive documentation the government requires for its programs, and we continue to work to ensure all documents are processed in a timely manner.
- To this point, we have asked the Treasury to meet with us tomorrow to discuss challenges with the *Home Affordable Modification Programs*, and opportunities to make them even more effective.
- And, most importantly, in this dynamic environment we continue to conduct final reviews to ensure every option is exhausted before a property moves to foreclosure sale – because when a foreclosure occurs everyone loses.

Wells Fargo has long adhered to responsible lending and servicing principles that guide our business practices. We did not make negative amortizing, pay option adjustable rate mortgages or subprime stated income loans, despite their popularity. And, as a result, we can directly attest to the fact that the home loans our company originated perform better than those loans we service but had no involvement in originating or underwriting.

Despite widespread decreases in home values, more than 92 percent of our customers in our entire servicing portfolio remain current on their mortgage payments. This is the direct result of our customers' efforts and our commitment to responsibly service all of the loans in our portfolio – including those formerly owned by Wachovia and loans we service but did not originate.

In addition, our delinquency and foreclosure rates continue to be significantly lower than industry average, and the lowest of the nation's largest mortgage lenders. And, for all of 2008 and 2009 year-to-date, less than 2 percent of the owner-occupied properties in our servicing portfolio have actually proceeded to foreclosure sale.

These results would not have been achievable without the continued collaborative public and private sector efforts to inform customers of their options and the introduction of the new *Home Affordable Modification Programs*.

While we are proud to have been part of HAMP's development – as it is an important option – it needs to be acknowledged that HAMP will not help all borrowers in need of payment relief. For the customers who are ineligible for HAMP and where we can reach affordability, we offer customized solutions. During June, July and August – the same time we fully executed HAMP – more than 83% of our customized modifications reduced payments. Where payments stayed the same or increased, the customer did not have a permanent hardship, could afford their monthly payments, and needed short-term assistance to take care of their delinquency – or there were investor restrictions.

Wells Fargo is a company committed to doing what is right for our customers. To that end, I have personally spoken with many of our borrowers to better understand their situations and experiences with Wells Fargo.

These discussions have reinforced for me how many Americans are struggling with changes in their personal and financial circumstances including unemployment and under-employment. I also learned how much they are struggling with the various program requirements and documentation. And, in the past six months some customers have been challenged with getting clear, timely

communication from us as the guidelines and the requirements for the various programs have continued to change.

We hold ourselves to a high level of accountability for improving communication and returning all of our customers to the level of service they deserve.

As servicers, we sit between the customer and investor and we are responsible for doing modifications the right way. We also have a responsibility to execute these programs well for all American taxpayers, by ensuring that customers given modifications are truly facing hardships and that they can afford and sustain their home payments after a modification is completed.

In closing, as we have from the very beginning of this crisis, Wells Fargo will continue to seek innovative ways to address the evolving challenges facing our nation. We continue to have faith that together, we will help the nation turn the corner and return the housing market and our economy to a state of health.

Thank you, I look forward to your questions.

# Home Affordable Modification Programs



## Improvements Needed to Help More At-risk Borrowers

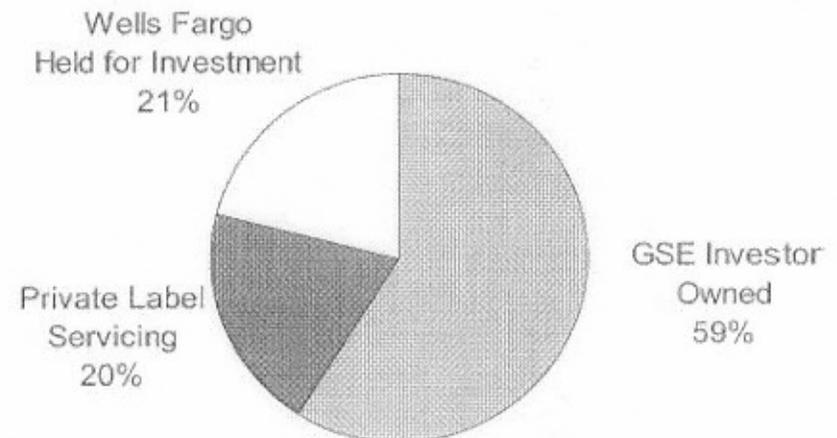
- Finalize HAMP program for second liens
- Provide a tailored HAMP for Pay Option ARMs
- Provide a tailored HAMP for short-term modifications
- Streamline HAMP documentation requirements
- Provide Short-sale incentives
- Revise Hope For Homeowners (H4H)

# Wells Fargo Services Loans It Originates and Loans Originated by Others

## Mortgage Servicing Rights

- Seventy-nine percent of servicing portfolio is held by other investors. We do not own the loan, but retain the servicing rights.
- We also acquire servicing rights for loans we do not originate.
- Acquired nonprime servicing is handled under the name *America's Servicing Company (ASC)* to allow for private label servicing.
- In our "Held for Investment" portfolio, Wells Fargo owns both the loan and the servicing rights.

Wells Fargo Servicing Portfolio by Investor Type, as of 2Q2009



**INSIDE MORTGAGE FINANCE – AUGUST 21, 2009**

**Large Mortgage Servicer Delinquency Rates**

*(Dollars in billions, as of June 30, 2009)*

Lender	Servicing Volume	Mortgage Delinquency Rate				Total	Change 1Q09-2Q09
		30-60 Day	60-90 Day	90+ Day	Forcl		
<i>Bank of America Mtg. &amp; Affiliates, NC</i>	\$2,111.9	2.93%	1.49%	5.23%	2.74%	12.39%	1.07%
<i>Wells Fargo &amp; Company, IA</i>	\$1,782.1	2.31%	1.01%	2.25%	1.92%	7.49%	0.67%
Chase, NJ	\$1,443.1	3.36%	1.76%	5.30%	4.19%	14.61%	1.49%
Citi, MO	\$769.0	2.49%	1.20%	3.12%	1.49%	8.30%	1.12%
Residential Capital LLC, NY	\$297.7	3.89%	1.84%	2.31%	4.77%	12.81%	1.25%
<i>National City Mortgage Co., OH (PNC)</i>	\$176.6	3.10%	1.10%	2.21%	2.30%	8.71%	1.31%
SunTrust Mortgage Inc., VA	\$170.9	2.45%	1.12%	1.95%	4.91%	10.43%	0.87%
PHH Mortgage, NJ	\$149.2	2.22%	0.68%	0.93%	1.79%	5.62%	1.09%
American Home Mortgage Servicing, TX	\$98.9	7.48%	4.09%	7.28%	15.29%	34.14%	0.99%
MetLife Home Loans, NY	\$97.9	2.43%	0.72%	0.97%	1.48%	5.60%	1.77%
Taylor, Bean, & Whitaker Mortgage Corp., FL	\$80.8	4.44%	2.06%	3.43%	3.31%	13.24%	1.94%
BB&T Mortgage, NC	\$80.1	1.85%	0.81%	1.10%	1.12%	4.88%	0.29%
<i>Flagstar Bank, MI</i>	\$70.1	3.99%	1.93%	2.73%	3.92%	12.57%	2.17%
Provident Funding, CA	\$40.0	1.73%	0.27%	0.54%	1.02%	3.56%	0.39%
Oowen Financial Corporation, FL	\$38.4	9.70%	6.10%	11.80%	15.40%	43.10%	3.10%
Citizens Financial Group, Inc., RI	\$25.4	1.43%	0.49%	1.20%	1.05%	4.17%	0.47%

**Inside Mortgage Finance Large Servicer Delinquency Index**

	Servicing Volume	Mortgage Delinquency Rate				Total
		30-60 Day	60-90 Day	90+ Day	Forcl	
First Quarter 2003	\$4,011.3	2.68%	0.81%	0.82%	0.81%	5.02%
Second Quarter 2003	\$3,984.1	2.72%	0.67%	0.86%	0.63%	4.98%
Third Quarter 2003	\$4,123.4	2.64%	0.67%	1.06%	0.63%	5.00%
Fourth Quarter 2003	\$4,259.5	2.45%	0.63%	0.94%	0.63%	4.64%
First Quarter 2004	\$4,183.9	1.91%	0.48%	0.81%	0.67%	3.87%
Second Quarter 2004	\$4,222.5	2.22%	0.53%	0.52%	0.59%	3.86%
Third Quarter 2004	\$4,489.8	2.13%	0.54%	0.49%	0.56%	3.73%
Fourth Quarter 2004	\$4,689.8	2.32%	0.58%	0.74%	0.61%	4.25%
First Quarter 2005	\$4,879.6	1.71%	0.44%	0.66%	0.61%	3.44%
Second Quarter 2005	\$5,259.1	1.91%	0.52%	0.67%	0.51%	3.61%
Third Quarter 2005	\$5,448.0	1.96%	0.52%	0.77%	0.54%	3.80%
Fourth Quarter 2005	\$5,639.7	2.07%	0.59%	0.88%	0.55%	4.09%
First Quarter 2006	\$4,925.7	1.55%	0.45%	0.76%	0.61%	3.37%
Second Quarter 2006	\$6,111.4	1.97%	0.59%	0.85%	0.96%	4.37%
Third Quarter 2006	\$6,183.6	2.27%	0.87%	0.79%	0.53%	4.26%
Fourth Quarter 2006	\$7,083.3	2.52%	0.74%	0.84%	0.67%	4.77%
First Quarter 2007	\$7,117.0	2.03%	0.63%	0.84%	0.68%	4.18%
Second Quarter 2007	\$7,237.1	2.31%	0.75%	0.90%	0.74%	4.70%
Third Quarter 2007	\$7,322.5	2.61%	0.86%	1.02%	0.84%	5.32%
Fourth Quarter 2007	\$7,551.1	2.67%	1.00%	1.35%	1.18%	6.19%
First Quarter 2008	\$7,101.1	2.18%	0.85%	1.37%	1.34%	5.74%
Second Quarter 2008	\$8,940.4	2.36%	0.91%	1.51%	1.32%	6.10%
Third Quarter 2008	\$7,035.5	2.76%	1.16%	1.92%	1.58%	7.42%
Fourth Quarter 2008	\$7,465.0	2.99%	1.36%	2.46%	1.68%	8.50%
First Quarter 2009	\$7,471.5	2.57%	1.25%	3.04%	2.25%	9.11%
Second Quarter 2009	\$7,432.0	2.93%	1.42%	3.84%	3.00%	11.18%

*Notes: Servicing volume in billions. Lenders shown in italics report delinquencies based on loan count; others are based on dollar volume.*

*Source: Inside Mortgage Finance*

## HELPING YOU STAY IN YOUR HOME.



*You may be able to make your payments more affordable.  
Act now to get the help you need!*

[Servicer logo]

Dear Borrower,

There is help available if you are having difficulty making your mortgage loan payments. You may be eligible for the Home Affordable Modification Program, part of the initiative announced by President Obama to help homeowners.

**As your mortgage loan servicer, we will work with you in an effort to make your mortgage payment affordable. You will not pay any fees to take advantage of this opportunity to modify your mortgage loan payment and keep your home. Now is the time to act. We are ready to help you.**

**Here's how it works:** We will first determine if you are eligible based on your situation. If you are eligible, we will look at your monthly income and housing costs, including any past due payments, and then determine an affordable mortgage payment.

At first, you will make new, affordable monthly payments on your mortgage loan during a trial period. If you make those payments successfully and fulfill all trial period conditions, we will permanently modify your mortgage loan.

The modification may involve some or all of the following changes to your mortgage loan: **1)** Bringing your account current; **2)** Reducing the interest rate on your loan; **3)** Extending the term of the loan, and/or **4)** delaying your repayment of a portion of the mortgage principal until the end of the loan term. **[Servicer can also mention the possibility of principal forgiveness if permitted by the investor.]**

### **STEP 1 GATHER THE INFO WE NEED TO HELP YOU**

To take advantage of this opportunity and the Home Affordable Modification Program, contact us as soon as possible. To help speed the process it will be helpful if you have the following information when you call:

- Loan number
- Monthly pre-tax income of each borrower
- Information about any financial hardship you are suffering

If you do not qualify for a loan modification under this program, or do not want to stay in your home, we will work with you to explore other options available to help you keep your home or ease your transition to a new home.

### **STEP 2 CONTACT US**

We want to make modifying your mortgage loan as easy as possible. However, you must take the first step by contacting us at [phone number]. You may also write to us at the address at the [bottom/top] of this letter. Be sure to include the information listed above. [Servicer may insert any fax or e-mail contact alternatives.]

Sincerely,

The *Making Home Affordable* program was created to help millions of homeowners refinance or modify their mortgages. As part of this program, we – your mortgage servicer – and the Federal Government are working to offer you options to help you stay in your home.

**Beware of Foreclosure Rescue Scams. Help is free!**

- There is never a fee to get assistance or information about the Making Home Affordable Program from your lender or a HUD-approved housing counselor.
  - For a HUD-approved counselor, visit: <http://www.hud.gov/offices/hsg/sfh/hcc/fo/>
- Beware of any person or organization that asks you to pay a fee in exchange for housing counseling services or modification of a delinquent loan.
- Beware of anyone who says they can "save" your home if you sign or transfer over the deed to your house. Do not sign over the deed to your property to any organization or individual unless you are working directly with your mortgage company to forgive your debt.
- Never make your mortgage payments to anyone other than your mortgage company without their approval.