

American Alliance of Home Modification Professionals



April 7, 2009

Mr. Robert E. Feldman
Executive Secretary
Attn: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington D.C. 20429

Re: Legacy Loan Program – Program Description and Request for Comments

Dear Mr. Feldman:

The following comments are submitted on behalf of AAHMP and are directed to the Corporation's specific questions numbered 16 and 17. We appreciate the Corporation's commitment to responding to questions and its solicitation of public commentary before finalizing certain details of its Legacy Loan Program. We are more than willing to offer further comments upon request and stand ready to contribute in any way desired by the Corporation to the Program's success.

The American Alliance of Home Modification Professionals (AAHMP) is publically committed to elevating the performance skills and ethical standards of loan modification specialists nationwide. AAHMP is formally organizing to help address today's preventable foreclosure crisis by providing to all managers of troubled assets a large geographically diverse private sector pool of experienced modification experts dedicated to professional conduct and committed through strict self-regulation to high standards of competence, operation and ethics. Recent official reports confirm an exponential expansion of foreclosures which continues to worsen. Upon conclusion of foreclosure suspensions now in place, the pent up torrent of troubled residential mortgage assets promises to overwhelm government, non-profit and bank employed servicers, paving the way for more fraudulent and predatory modification companies, whose unscrupulous methods harm homeowners, the modification industry and the government's interconnected initiatives to address the overall financial crisis. (See FTC Announcement, re mortgage scammers, dated April 6, 2009)

There are simply not enough bank-employed servicers and government asset managers available or experienced in the special skills needed to achieve mutually acceptable and sustainable loan modifications between the millions of lenders whose compliance requires consistency, and borrower/ homeowners who need customized loan revisions to continue occupying their homes. The Affordable Home Plan (Plan) and other government initiatives (including PDIF) are well-crafted, but to succeed they must provide for the immediate restructuring of millions of troubled mortgage loans, including the creation of unprecedented mass of sustainable modifications. The Government's massive effort to modify these loans and thus avert many more preventable foreclosures cannot succeed without the immediate and nationwide deployment of specially-trained, reliable experts, operating transparently, and pursuing the highest ethical and performance standards. The situation is dire and getting worse. AAHMP views this economic and operational challenge as an opportunity to establish the nationwide elevation of reliable, consistent and ethical modification standards while helping resolve a crisis which left unaddressed will soon become a catastrophe.

Presently and as further implied by your specific Questions for Comment, certain key PDIF asset management issues are as yet unresolved. In particular, the servicing function for PDIF-auctioned loans, including their modification when appropriate, will continue to be a vital component of the Legacy Loan Program. As with loans addressed by the "Making Home Affordable Plan "(The Plan), we wonder if these modifications will be governed by The Plan's Guidelines, even though their values to their new holder/investor may well have been altered significantly. Moreover, whatever the influence of such valuation metrics, if servicing modifications are still to be managed by the same bank personnel formerly doing so, the banks who have sold them will not really be rid of them and will be exposed to or governed by asset management decisions of unregulated investors. In the alternative, will servicers reporting directly to the investors be regulated through licensing or by some newly established pre-certification procedure? Will the investors, who have already assumed financial risk, allow modification of the loans they now own to be managed or controlled by anyone other than themselves? Will the FDIC which clearly has the most "skin in the game " leave this issue with its massive political implications solely up to the investors? The answers to these questions will affect the programs success, the asset sales pricings and the political viability of the overall program.

As recent official reports confirm, poorly executed modifications can lead to re-default, prolonging the crisis. Worse, their sheer numbers can unleash political harm capable of undermining popular support needed for overall economic recovery. The FDIC could retain the servicing, thus keeping control over the process but the economic question-marks for investors would remain, diminishing bids for the bundled loans and deterring their offering for auction by banks. Such active retention would strain existing FDIC resources as yet untrained in the "high tech-high touch" complexities of loan modifications or require the retention of new employees to address a one-time need. Accordingly, it seems to AAHMP that the situation cries out for reliably contracting-out this modification function. In the alternative the FDIC could require that investors conduct modifications using licensed or otherwise pre-approved personnel. Case by case personnel licensing will absorb enormous time and delay, even if instituted at the state level. Federal pre-approval of reliably self-regulated and well-sized nationwide servicing specialists like AAHMP would seem to be the most efficient way to get this program effectively underway in time.

In this economy no one can guaranty that all modifications will remain sustainable. Health and job issues are the cause of crippling more borrower distress every day. What can be guaranteed is that the servicing personnel conducting the modifications needed to mitigate the crisis have been reliably vetted and supervised and that they will continue to be such while they are so employed. AAHMP can deploy trained personnel supervised by a transparent and enforceable system and ready for deployment now. AAHMP is ready to partner effectively with responsible government agencies or private investors to get this complex and challenging job done as quickly and effectively as is humanly possible.

/s/ Steve Gillan
Executive Director
AAHMP