

MAXINE WATERS

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CHIEF DEPUTY WHIP

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AND HOMELAND SECURITY

SUBCOMMITTEE ON IMMIGRATION,
BORDER SECURITY AND CLAIMS

Congress of the United States
House of Representatives
Washington, DC 20515-0535

PLEASE REPLY TO:

WASHINGTON, DC OFFICE

2344 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-0535

PHONE: (202) 225-2201

FAX: (202) 225-7854

DISTRICT OFFICES:

LOS ANGELES OFFICE

10124 SOUTH BROADWAY

SUITE 1

LOS ANGELES, CA 90003

PHONE: (323) 757-8900

FAX: (323) 757-9506

October 4, 2010

Mr. Edward DeMarco
Acting Director, Federal Housing Finance Agency
1700 G Street, NW
Washington, DC 20552

Dear Mr. DeMarco:

I have long been aware of the misconduct taking place at some of our nation's mortgage servicing companies, and have been an advocate on the need to reform our mortgage servicing industry. Therefore, though I was not surprised, I was deeply concerned to learn that an employee of Ally Financial Inc.'s GMAC mortgage unit admitted in sworn depositions that he signed off on thousands of foreclosure documents a month without reviewing them. JPMorgan Chase's mortgage unit, Chase Mortgage, made a similar admission last Wednesday. This weekend, Bank of America acknowledged problems with its foreclosures. All of these companies have suspended foreclosures until they are able to investigate the scale and nature of misconduct with regard to thousands of foreclosures.

As I have read in recent news reports, some of the Ally Financial/GMAC-serviced mortgages subject to this possible fraud were owned by Fannie Mae. In light of this information, I respectfully request that you investigate whether Ally Financial/GMAC's actions have been consistent with the servicing guidelines set forth by Fannie. More broadly, I request that you investigate whether the companies servicing Fannie Mae and Freddie Mac (the Enterprises) mortgages are both complying with the relevant rules set forth by the Enterprises, and are also only proceeding to foreclosure when there is a clearly defined legal right to do so. While FHFA completes this investigation, I request that you instruct all servicers of loans owned or guaranteed by the Enterprises to suspend foreclosures until the public has a clear understanding of whether misconduct has taken place.

Additionally, I was pleased that in your September 15th testimony to the House Committee on Financial Services you discussed the aggressive steps FHFA is taking to require lenders to repurchase defaulting loans that do not adhere to Fannie Mae or Freddie Mac's standards. To follow-up on that testimony, I request that you specifically examine whether Fannie Mae or Freddie Mac can recoup any losses on Ally, Chase or Bank of America-serviced mortgages that have gone to foreclosure. And while at the September 15th hearing you were

unable to describe the other investigations FHFA has initiated, I would be interested to learn, at the earliest time you are able to comment, about the progress of the other repayments FHFA is pursuing, on either loans sold to and retained by Fannie or Freddie, or loans guaranteed by the Enterprises.

I look forward to working with you to ensure that mortgage servicers are operating in accordance with all relevant policies, laws and regulations, and that homeowners are not subject to wrongful foreclosures. Please respond to this letter no later than Friday, October 15th with an update on your progress in implementing the actions described above. Please contact me or Amanda Fischer of my staff at (202) 225-2201 with any questions about this letter.

Thank you for your prompt attention to this urgent matter.

Sincerely,

A handwritten signature in cursive script that reads "Maxine Waters".

Maxine Waters
Chairwoman, Subcommittee on Housing and Community Opportunity

cc: Edmund G. Brown, Jr., Attorney General, State of California