



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

March 4, 2009

Honorable Charles E. Grassley  
U.S. Senate Committee on Finance  
Dirksen Senate Office Building 219  
Washington, DC 20002

Dear Senator Grassley,

Thank you for your letter regarding the need to minimize fraud in the Administration's recently announced loan modification plan, the *Homeowner Stability Initiative*. I welcome the opportunity to address this important issue.

As I am sure you are aware, the Administration recently released the *Homeowner Affordability and Stability Plan* which will offer assistance to as many as 7 to 9 million homeowners making a good-faith effort to stay current on their mortgage payments, while attempting to prevent the destructive impact of foreclosures on families and communities. The plan will support low mortgage rates through strengthening confidence in Fannie Mae and Freddie Mac, providing up to 4 to 5 million homeowners with new access to refinancing. Additionally, as part of the overall plan, the Homeowner Stability Initiative will provide a comprehensive approach in order to offer reduced monthly payments for up to 3 to 4 million at-risk homeowners. Our plan brings together the government, lenders, and borrowers to share responsibility towards ensuring that responsible, working Americans can afford to stay in their homes.

Treasury does not intend to adopt the "Mo Mod" mortgage modification platform nor has it been in discussions to use this platform in conjunction with the Homeowner Stability Initiative.

Regardless of specific service providers or procurement decisions, any large-scale loan modification program presents important questions regarding which borrowers will be helped. We feel strongly that assistance should be targeted to responsible borrowers who played by the rules, and we are working to develop the operational details of the program accordingly. Our plan provides a number of front-end fraud prevention measures designed to root out fraud.

For instance, the program will require borrowers to document their income with a signed IRS Form 4506-T, their most recent tax return, and the two most recent pay stubs for each wage earner on the note. Self-employed borrowers or borrowers with non-wage

income will be required to provide third-party documents that offer reliable evidence of income or assets. A credit report will be reviewed for each borrower to validate monthly installment, revolving, and secondary mortgage debt. Finally, borrowers will be required to file a signed hardship affidavit along with their income and expense verification and signed modification agreement.

In addition to these front-end fraud prevention measures, the program will provide for strong back-end auditing and oversight so as to identify any patterns of abuse and prevent against similar occurrences in the future. Additionally, the Homeowner Stability Initiative, because it is funded under the Troubled Asset Relief Program (TARP), will be subject to all TARP oversight bodies, including the Congressional Oversight Panel, the Financial Stability Oversight Board, and the Special Inspector General for TARP. These bodies, which will review all expenditures in detail and publish periodic reports on their findings, will provide an additional layer of safeguards against potential fraud.

We share your concern for weeding out borrower fraud, and we are also extremely mindful of the potential for abuse by unscrupulous imitation websites or firms charging fees to help borrowers receive a loan modification through this plan. We intend to explore avenues for pursuing these abuses in collaboration with other government offices.

Finally, we are dedicated to preventing the type of fraud that became so commonplace in the past several years, whether committed by borrowers, lenders, mortgage brokers, or other actors along the chain. To this end, we will address this issue as well through a new financial regulatory reform initiative.

Thank you again for your letter and for your attention to this important matter. We will carefully weigh these considerations as we finalize program policy and implementation in the coming days.

Sincerely,



Timothy F. Geithner