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Dear Sirs/Madam:

Fifteen months have passed since Hurricanes Katrina and Rita devastated the Gulf and displaced hundreds of thousands of residents. The situation on the ground is still stark for many residents. The magnitude of the disaster has contributed to a longer-than expected recovery. The future for many communities is still uncertain.

During the past year, the leadership and concern by the mortgage lending community has made a real difference in the lives of many Gulf borrowers. The vast majority of mortgage lenders have followed the lead of the Federal government and GSEs and have taken the laudatory step of offering consumers forbearance. Many borrowers have worked with their servicers, where appropriate, to establish loan modification or repayment plans. However, now that any borrowers seeking further forbearance are subject to a case-by-case analysis (at best), many low and moderate-income homeowners face the risk of losing their homes if they can not begin, or continue, to make payments on their mortgages. It is incumbent upon the lending community to provide appropriate flexibility going forward regarding terms and conditions of payments so that borrowers have every opportunity to maintain their homeownership and rebuild their homes and communities.

Many areas hit by the hurricanes are still facing significant recovery challenges. While there are jobs available, many people have not been able to return home due to the scarcity of affordable places to live. Many people are paying for their daily needs, and their shelter (rent, mortgage or both), on credit or out of savings or borrowed money. These sources of payment are not sustainable; such borrowers soon may be facing default or foreclosure. In addition, many borrowers opted against forbearance and optimistically entered into repayment plans which, in retrospect, are unrealistic. Most homeowners planning to rebuild still have no idea how much CDBG money they will receive from their state's program.

While we are encouraged by the leadership shown by some regulators and key players in the mortgage lending industry, including the GSEs, we are concerned about how financial institutions will treat consumers as we move ahead. We call on the leaders in the mortgage lending industry to establish clear and firm guidelines for how homeowners' situations will be addressed and to work with communities and their representatives to identify and correct problems promptly and thoroughly.

Specifically, we call on lenders, servicers and investors to:

- Ensure maximum availability of forbearance, loan modifications and repayment plans, and other loss mitigation options that save homes;
- Provide affordable, realistic, and fair repayment plans for deferred amounts: no lump sum payments should be required and amounts should be repayable over an extended period; loans should be reamortized as necessary to incorporate these additional amounts;
- Offer reasonable and affordable refinancings for borrowers with upcoming balloon payments and resets on adjustable rate mortgages;
- Waive all penalties and late fees assessed against borrowers;
- Provide efficient and responsive customer service to borrowers;
- Restrict any negative reports to credit bureaus for hurricane-affected borrowers to those borrowers whose income has not been reduced and whose homes are now habitable.
- Develop or demand use of a pre-hurricane credit scoring system for making new credit decisions;
- Employ all available loss mitigation options for borrowers whose loans are insured by the FHA and VA programs;
- Ensure that federal and state funds paid to homeowners for rebuilding that are maintained by the servicer are released in a timely fashion to pay for rebuilding, and are not simply applied toward repaying delinquent mortgage payments;
- Notify borrowers in Mississippi of the state's foreclosure moratorium and assist them in participating in the program: servicers should send all delinquent borrowers in affected areas in Mississippi notice regarding the moratorium; set a uniform standard for establishing assessed value (that does not cause the borrower to incur additional debt); provide borrowers with an opportunity to affirm that the property has declined in value the requisite amount under the moratorium and a reasonable period to acquire legal representation; provide borrowers with an opportunity to resolve the matter in mediation.

The transition from blanket forbearance to case-by-case policies is a critical moment that requires commitment, vision and creativity. It is incumbent upon members of the lending industry to set high standards and to discourage bad practices that may arise. We, the undersigned groups, stand ready to assist with this process and look forward to working with you on this.

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