EDMUND G. BROWN JR.
Attorney General

State of California
DEPARTMENT OF JUSTICE

300 SOUTH SPRING STREET, SUITE 1702
LOS ANGELES, CA 90013

Public: (213) 897-2000
Telephone: (213) 897-5548
Facsimile: (213) 897-4951
E-Mail: Benjamin.Diehl@doj.ca.gov

October 29, 2009

Michael L. Sawyer, Chief Executive Officer
Saxon Mortgage Services, Inc.
4708 Mercantile Dr. North
Fort Worth, TX 76137

RE: Loan Modifications

Dear Mr. Sawyer:

The foreclosure crisis continues to plague California homeowners who are trapped in mortgages with exploding monthly payments. While the economy is beginning to improve, homeowners desperate to save their homes have seen little relief. And analysts predict that foreclosures will continue to worsen, particularly as Pay Option ARMs begin to recast.

Economists estimate that about one million Pay Option ARMs will reset in the next four years, resulting in massive payment shock and dramatically worsening the foreclosure crisis. California, with 58 per cent of all Pay Option ARMs originated between 2004 and 2008, will be the epicenter of this crisis. Systemic plans to modify these loans as they recast must be in place, in order to preserve home ownership and avoid a prolonged and painful recession.

Loan modifications can help many of these borrowers save their homes. To be successful, however, current loan modification programs must expand. The Administration's Home Affordable Modification Program (HAMP) has been slow to get off the ground and will not benefit thousands of Californians threatened by foreclosure, as it does not allow for principal reduction. Yet principal reduction is exactly what borrowers need. Borrowers living in areas with sharp depreciation in housing prices do not have enough equity in their homes to qualify for HAMP. This situation is even more dire for borrowers with Pay Option ARMs, who now owe more on their homes than when they first took out their mortgages.

Poor customer service often is a significant obstacle to effective loan modifications. Homeowners seeking loan modifications continually complain that their lenders and servicers fail to respond to their phone calls; that they are asked to resubmit the same paperwork over and over again; that they are told they will not be considered for a modification unless they are already in default; and that they receive no answer to their request for a loan modification and are left with no option but to short sell their home, go through foreclosure, or file for bankruptcy. Effective customer service systems must be in place to address the next wave of mortgage resets.

The foreclosure crisis and the expected deluge of Pay Option ARM recasts require advance planning on the part of the entire mortgage industry. Given the importance of this issue, we ask that you provide the following information by no later than November 23, 2009:

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3. A detailed explanation of all efforts you have taken to handle customer service concerns of borrowers with Pay Option ARM loans, including any increased staffing and a description of any notices you send or are planning to send to borrowers whose loans are about to reset. For advance notices sent to borrowers, please specify how far in advance of the reset date you send, or plan to send, those notices.

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5. To the extent your approach for considering whether and how to modify Pay Option ARM loans has changed since the beginning of the foreclosure crisis, please explain the changes and the reasons for those changes.

We look forward to receiving the requested information and to productive discussions on how to minimize the impact of Pay Option ARM recasts on California's residents and economy.

Sincerely,

BENJAMIN DIEHL
Deputy Attorney General

For EDMUND G. BROWN JR.
Attorney General

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LA2008602087
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October 29, 2009

Terry Laughlin, Chief Executive Officer
One West Bank
888 East Walnut Street
Pasadena, CA 91101

RE: Loan Modifications

Dear Mr. Laughlin:

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Sincerely,

BENJAMIN DIEHL
Deputy Attorney General

For EDMUND G. BROWN JR.
Attorney General

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October 29, 2009

Matthew Hollingsworth, Chief Executive Officer
Select Portfolio Servicing
3815 South West Temple
Salt Lake City, UT 84115

RE: Loan Modifications

Dear Mr. Hollingsworth:

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BENJAMIN DIEHL
Deputy Attorney General

For EDMUND G. BROWN JR.
Attorney General

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October 29, 2009

Tony Renzi, Chief Operating Officer
ResCap, LLC
1 Meridian Crossings
Minneapolis, MN 55423

RE: Loan Modifications

Dear Mr. Renzi:

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BENJAMIN DIEHL
Deputy Attorney General

For EDMUND G. BROWN JR.
Attorney General

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October 29, 2009

David Friedman, Chief Executive Officer
American Home Mortgage Servicing
4600 Regent Blvd., Ste. 200
Irving, TX 75063

RE: Loan Modifications

Dear Mr. Friedman:

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Deputy Attorney General

For EDMUND G. BROWN JR.
Attorney General

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October 29, 2009

Mr. Ronald M. Faris, President
Ocwen Financial Corporation
1661 Worthington Road, Suite 100
West Palm Beach, FL 33409

RE: Loan Modifications

Dear Mr. Faris:

The foreclosure crisis continues to plague California homeowners who are trapped in mortgages with exploding monthly payments. While the economy is beginning to improve, homeowners desperate to save their homes have seen little relief. And analysts predict that foreclosures will continue to worsen, particularly as Pay Option ARMs begin to recast.

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October 29, 2009

Mark C. Oman, Senior Executive Vice President
Wells Fargo & Company
420 Montgomery St.
San Francisco, CA 94163

RE: Loan Modifications

Dear Mr. Oman:

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October 29, 2009

David B. Lowman, Executive in Charge of Home Lending
JP Morgan Chase & Co.
270 Park Avenue, 38th Floor
New York City, NY 10017

RE: Loan Modifications

Dear Mr. Lowman:

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For EDMUND G. BROWN JR.
Attorney General

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EDMUND G. BROWN JR.
Attorney General

State of California
DEPARTMENT OF JUSTICE

300 SOUTH SPRING STREET, SUITE 1702
LOS ANGELES, CA 90013

Public: (213) 897-2000
Telephone: (213) 897-5548
Facsimile: (213) 897-4951
E-Mail: Benjamin.Diehl@doj.ca.gov

October 29, 2009

Barbara J. Desoer, President, Home Loans & Insurance
Janis L. Allen, Assistant General Counsel
Bank of America Home Loans & Insurance
400 Countrywide Way, CA6-919-02-01
Simi Valley CA 93065

RE: Loan Modifications

Dear Ms. Desoer and Ms. Allen:

The foreclosure crisis continues to plague California homeowners who are trapped in mortgages with exploding monthly payments. While the economy is beginning to improve, homeowners desperate to save their homes have seen little relief. And analysts predict that foreclosures will continue to worsen, particularly as Pay Option ARMs begin to recast.

Economists estimate that about one million Pay Option ARMs will reset in the next four years, resulting in massive payment shock and dramatically worsening the foreclosure crisis. California, with 58 per cent of all Pay Option ARMs originated between 2004 and 2008, will be the epicenter of this crisis. Systemic plans to modify these loans as they recast must be in place, in order to preserve home ownership and avoid a prolonged and painful recession.

Loan modifications can help many of these borrowers save their homes. To be successful, however, current loan modification programs must expand. The Administration's Home Affordable Modification Program (HAMP) has been slow to get off the ground and will not benefit thousands of Californians threatened by foreclosure, as it does not allow for principal reduction. Yet principal reduction is exactly what borrowers need. Borrowers living in areas with sharp depreciation in housing prices do not have enough equity in their homes to qualify for HAMP. This situation is even more dire for borrowers with Pay Option ARMs, who now owe more on their homes than when they first took out their mortgages.

Poor customer service often is a significant obstacle to effective loan modifications. Homeowners seeking loan modifications continually complain that their lenders and servicers fail to respond to their phone calls; that they are asked to resubmit the same paperwork over and over again; that they are told they will not be considered for a modification unless they are already in default; and that they receive no answer to their request for a loan modification and are left with no option but to short sell their home, go through foreclosure, or file for bankruptcy. Effective customer service systems must be in place to address the next wave of mortgage resets.

The foreclosure crisis and the expected deluge of Pay Option ARM recasts require advance planning on the part of the entire mortgage industry. Given the importance of this issue, we ask that you provide the following information by no later than November 23, 2009:

1. The number of Pay Option ARM loans secured by residential real property located in California that you are servicing (regardless of whether you own the loans).

2. Of the number of Pay Option ARM loans identified above, the number that have negatively amortized, and the average dollar amount of that negative amortization.

3. A detailed explanation of all efforts you have taken to handle customer service concerns of borrowers with Pay Option ARM loans, including any increased staffing and a description of any notices you send or are planning to send to borrowers whose loans are about to reset. For advance notices sent to borrowers, please specify how far in advance of the reset date you send, or plan to send, those notices.

4. A detailed explanation of the loan modification plans you have developed for Pay Option ARM loans. Please state the circumstances under which your plans allow for the reduction of principal, and the possible amounts of principal reduction. If you are not willing to consider principal reduction as part of your plan, please explain why. Please also specify whether you have already implemented your modification plans for Pay Option ARMs or, if not, the time frame within which you expect to do so.

5. To the extent your approach for considering whether and how to modify Pay Option ARM loans has changed since the beginning of the foreclosure crisis, please explain the changes and the reasons for those changes.

We look forward to receiving the requested information and to productive discussions on how to minimize the impact of Pay Option ARM recasts on California's residents and economy.

Sincerely,

BENJAMIN DIEHL
Deputy Attorney General

For EDMUND G. BROWN JR.
Attorney General

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October 29, 2009

Larry B. Litton, Jr., President and Chief Executive Officer
Shane Ross, Chief Operating Officer
Litton Loan Servicing
4828 Loop Central Dr.
Houston, TX 77081

RE: Loan Modifications

Dear Mr. Litton and Mr. Ross:

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