September 12, 2014

Alliance of Californians for Community Empowerment
3655 S. Grand Avenue, Suite 250
Los Angeles, California 90007

Via: Maurice Weeks, Campaign Coordinator

Dear Mr. Weeks,

Thank you for your recent letter in which your organization, Alliance of Californians for Community Empowerment (ACCE), shared suggestions for changes to the Keep Your Home California program. We are always interested in hearing about ways the program can be improved, and appreciate feedback from groups such as yours.

Since the program was fully launched in February 2011, we have made numerous changes to Keep Your Home California programs to expand participation and help reach as many distressed homeowners as possible. We are constantly evaluating our program data, guidelines and criteria, working to improve those things we can change. This program, as I'm sure you know, is funded by the U.S. Department of the Treasury (US Treasury) through its Hardest Hit Fund, and all programs must be in compliance with the Emergency Economic Stabilization Act of 2008 (Public Law 110-343, 200 State 3765, enacted October 3, 2008). Every program change and term offered must be negotiated and approved by the US Treasury to ensure we remain compliant with the authorizing statute. Some of the suggestions included in your letter are very broad, and I would very much appreciate if you could provide more specificity. I look forward to exploring these ideas with you in greater depth in our upcoming meeting. In specific response to the issues that you raised, I would like to offer the following comments:

- **Increase relief for homeowners most in need:** As the programs have evolved since 2011, we have doubled the overall amount of assistance we can provide to each household from $50,000 per household to $100,000. California spearheaded this benefit increase which is the highest amount of principal reduction authorized for any Hardest Hit Fund State. In addition, we have made adjustments to individual program caps over time, when those changes could be supported by the program data.
  - The program benefit cap for the Unemployment Mortgage Assistance Program (UMA) was increased from $18,000 to $27,000 in October of 2011 and from $27,000 to $36,000 in June of 2013. The duration of UMA assistance has also been increased from six months to twelve over this same period.
  - The program benefit cap for the Mortgage Reinstatement Assistance Program (MRAP) was increased from $15,000 to $20,000 in October of 2011 and from $20,000 to $25,000 in May of 2012.

- The program benefit caps for the Principal Reduction Program (PRP) and the total household cap were increased from $50,000 to $100,000 in May of 2012.
- Each of these limits is constantly monitored, and additional changes will be proposed if it can be supported by the data that is collected. As you know, we come into contact with many homeowners expressing need and collect their information and analyze that information. Analysis of this information indicates our program caps are currently set at appropriate levels. If and when the data indicates these limits are too low, we will request a change in criteria with the US Treasury.

- **Increase direct outreach to potentially eligible borrowers:** We could not agree more that community outreach is one of the most important ways to make people aware of the program.
    - Keep Your Home California has had a presence at over 630 outreach events across the state since the program's inception. In 2014, Keep Your Home California has participated in or had materials available at 114 community events across California.
        - One such community event was the "Home Preservation Workshop" in Richmond on April 5, 2014 where we partnered with ACCE to bring certified counselors to the local community center. Approximately 100 homeowners attended this event and discussed Keep Your Home California with ACCE, Keep Your Home California and participating counselor representatives.
        - We remain interested in working with ACCE and other community organizations to increase homeowner awareness through any means available.
        - As one form of outreach, Keep Your Home California has conducted a number of direct mail campaigns, most of which have had limited success. We continuously monitor all applicants to Keep Your Home California to determine how they heard about us so that we can be sure we are investing our advertising dollars where they are the most effective. In our experience, mailing campaigns have generated 1-2% response rate at best and come at a significant cost of Hardest Hit Funds. Servicers, investors and marketing / public relations firms have verbally confirmed they also experience similar response rates. Although we continue to push for joint mailer campaigns with servicers and investors, or conduct independent mailing campaigns, history has shown a low rate of return on the these efforts. One positive exception to the above is exhibited by our multi-year partnership with California's Employment Development Department. All unemployment insurance beneficiaries are receiving a flyer promoting our UMA program. Millions of unemployed Californians have received our UMA information to date. In August of 2014, 120,706 flyers were sent out. Since January 1, 2014, 1,003,527 jobless Californians received KYHC material and millions more will eventually be reached, which

will raise awareness to the exact audience this program is intended to serve.

- Since the program's inception, Keep Your Home California has made a continuous effort with participating servicers and investors to encourage them to partner with us on outreach efforts. Servicers and investors are not required to do so, and we have no authority to make them participate. For their own reasons, many servicers and investors have chosen not to participate in such efforts. However, the table below lists some of the past or pending mailing campaigns that we have been able to conduct (or will conduct) with servicers and/or investors.

| SERVICER | DATE | TYPE | # of Homeowners |
|---|---|---|---|
| Nationstar | Est. October 2014 | PRP Flyer w/cover letter | Approx. 3,000 |
| Wells Fargo | Est. October 2014 | Flyer w/cover letter | Approx. 7,500 |
| PennyMac | Est. September | Flyer w/cover letter | 370 |
| SunWest Mortgage | August 2014<br>July 2013 | Flyer w/cover letter<br>Flyer w/cover letter | 11,708<br>12,262 |
| Vertical Recovery Mgmt | August 2014 | Flyer w/cover letter | 100 (100% of their CA portfolio) |
| Kerns Schools FCU | May 2014 | Flyer mailer | 250 |
| Valley Bank & Trust | May 2014 | Letter | 450 |
| Quicken Loans | May 2014 | Added flyer to website; Flyer mailer | 150 |
| PNC Mortgage | February 2014 | Flyer | 50 |
| BSI Financial Services | February 2014 | Co-branded flyer – investor delivered door to door | 250 |
| Schools First FCU | February 2014 | Brochures – for lobby and to send out to homeowners as needed | 1,000 |
| First Bank Mortgage | January 2014 | UMA/MRAP Flyer | Continuous – Servicer sends flyer as needed when homeowner |

| SERVICER | DATE | TYPE | # of Homeowners |
|---|---|---|---|
| | | | misses their payment |
| Selene Finance | December 2013 | Flyer w/cover letter | 233 |
| CalVet | Pending CV's legal approval | Flyer<br>Button and language to website | Approx. 7,000 |
| Budget Mortgage | August 2013 | Flyer w/cover letter | 130 |
| Ocwen IA | May 2013<br>May 2013<br>September 2013 | Flyer<br>Added KYHC info to website<br>Auto Dialer | 6,000 (May 2013); 4,119 (September 2013) |
| Specialized Loan Servicing | October 2013<br>November 2013 | Flyer w/cover letter<br>Flyer w/cover letter | 3,823<br>1,200 |
| GMAC | October 2012 | Direct Mailer | 7,500 |

- **Change the loan-to-value ratio requirements:** As explained above, Keep Your Home California is funded through the US Treasury's "Hardest Hit Fund" and as such there are certain requirements we must adhere to in order to provide taxpayer-funded relief to struggling homeowners. This program is not intended to create equity for a homeowner but to help a homeowner achieve an affordable and sustainable payment and to help reduce severe negative equity. The US Treasury must approve all changes in program guidelines, and, to date, has not approved any program or program changes that would result in the creation of equity for a homeowner that does not resolve a specific problem, such as bringing a delinquent loan current. To do so would be perceived as a gift of public funds. In September 2013, California was able to implement a change to PRP that made severe negative equity (on its own) a hardship indicative of imminent default. This change is intended to help more homeowners qualify for assistance by alleviating the burden associated with documenting a financial hardship.

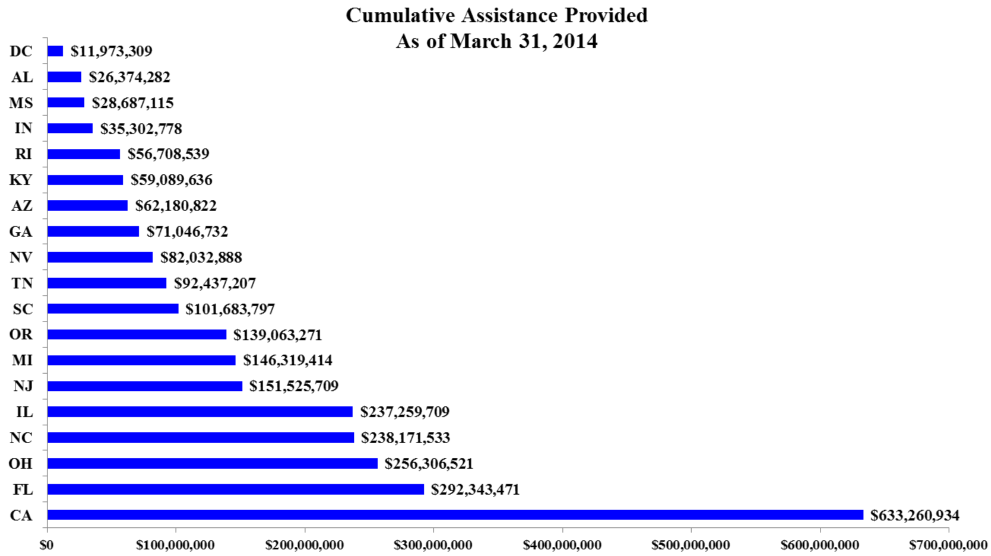
- **Require that loan modifications accompany all principal reductions:** We have no authority to compel servicer or investor participation in any of our programs including those that require a loan modification in conjunction with our assistance in order to reach an affordable payment. When the programs were originally created, we considered limiting participation to those servicers that agreed to provide a modification. In fact, when the program launched, Keep Your Home California did require that servicers modify the loans in order to receive funds from the Principal Reduction Program (this requirement was in the form of a dollar-for-dollar financial match requirement). Because of that requirement, few servicers or investors chose to participate, and, as such, that fund-match requirement was eliminated in May of 2012 in order to assist more homeowners. Instead, we required a servicer accepting PRP funds to include a rate and term modification. Again, we saw limited success with this modification requirement, as many homeowners that needed the assistance were being excluded because they had been provided a previous modification and/or the interest rate could not be further reduced, or they were given a prior modification that included a significant forbearance component. To overcome these obstacles, the recast and curtailment utilities of PRP were introduced (in July of 2012 and September 2013, respectively) – because neither of these utilities requires a loan modification assistance can be provided to homeowners at a much faster rate. Again, because we have no authority to compel servicers or investors to modify loans we have worked to ensure that our funds can be applied as often as possible to help as many homeowners as possible by way of our recast and curtailment utilities.

- **Allow "delegated authority" and "batch servicing" for servicers:** "Batch servicing" is something that is currently allowed and has been in place since April of 2011. This process allows servicers to perform the initial screening of homeowners in their portfolio for Keep Your Home California eligibility. As is the case with servicer participation in the four primary programs, engaging in "batch servicing" is voluntary for the servicers. Neither the California Housing Finance Agency nor Keep Your Home California has the authority to compel servicers to participate in "batch servicing."

- **Allow for a set-aside of funds for public entities and CDFIs:** As explained in previous letters to interested parties, CDFI's currently have access to all Keep Your California programs, including PRP, through licensed regulated servicers that execute our Memorandum of Understanding. Several of Keep Your Home California's participating servicers service loans for distressed asset investors, all of whom use PRP without a special set-aside and without issue. Keep Your Home California has stated on numerous occasions that it is willing to provide each qualified participant a letter that welcomes their participation, includes the amount of Keep Your Home California PRP assistance funds that are available at that time and a projection of how long funds are expected to be available.

- **Create a retroactive program for homeowners who already lost their home:** Unfortunately, Keep Your Home California is a foreclosure prevention program. As such, these funds cannot be used to compensate homeowners that have already lost their homes.

Your letter also expressed concerns about the current rate the Keep Your Home California funds are being allocated to homeowners. I can assure you that our staff is committed to making sure these federal taxpayer funds are being provided as quickly and responsibly as possible. The chart below demonstrates California's success.




The following chart further demonstrates the success of California's efforts as of that same date.

| State | Unique Borrowers-Cumulative Q12014 Total Approved |
|---|---|
| AL | 3,297 |
| AZ | 2,860 |
| CA | 37,275 |
| DC | 669 |
| FL | 16,025 |
| GA | 4,770 |
| IL | 12,762 |
| IN | 3,116 |
| KY | 5,368 |
| MI | 19,318 |
| MS | 2,221 |
| NC | 15,973 |
| NJ | 5,473 |
| NV | 5,202 |
| OH | 18,094 |
| OR | 9,856 |
| RI | 3,070 |
| SC | 7,425 |
| TN | 6,023 |
| **Total** | **178,797** |

As of September 2014, Keep Your Home California has approved over $860 million in mortgage payment assistance to over 43,500 California households. While we are proud of the amount of assistance that has been provided thus far, we do appreciate the work that remains to be done and the many more homeowners who still need help. We appreciate the assistance that organizations like ACCE can provide in helping us achieve the goals of the Keep Your Home California program.

We view ACCE as a key partner in helping us raise awareness about the program and hope we can build on the productive meetings we have had with your organization in the past. We share the same goal of making sure Keep Your Home California funding is efficiently getting to the struggling California homeowners who need the assistance so badly. I look forward to our discussion in our upcoming meeting as well as working with you and other members of ACCE in the future to ensure we achieve that goal.

Sincerely,

Tia Boatman Patterson
Executive Director
California Housing Finance Agency

ACCE

organize.org

facebook.com/CalOrganize
Twitter: @CalOrganize

State Office
3655 S Grand Ave, Ste. 250
Los Angeles, CA 90007

P 877-633-9251
F 888-463-1187
info@calorganize.org

August 19, 2014

Tia Boatman-Patterson, Executive Director
California Housing Finance Agency
P.O. Box 4034, Sacramento, CA 95812

Dear Ms. Boatman-Patterson:

ACCE (Alliance of Californians for Community Empowerment) is a statewide community organization made up of low to moderate income Californians organized to fight for social, economic, and racial justice. Our Home Defenders League is a statewide group of homeowners working to save homes from foreclosure and protect our neighborhoods. Our members have strong concerns about policies of the California Housing Finance Agency's Keep Your Home California Program.

We are very concerned that such a high percentage of the funds remain unspent. With the current set of policies as they are, the funds are simply getting spent at too slow a rate and not as effectively as they should be. CalHFA has the authority and the obligation to make this program work much better for homeowners around the state. We are calling on CalHFA to make the following improvements to the Keep Your Home California program:

1. **Increase relief for homeowners most in need:** Increase the total amounts of relief that homeowners are eligible for in each program, based on homeowner need.
2. **Increase direct outreach to potentially eligible borrowers:** CalHFA should work to get servicers to do a direct outreach campaign that includes phone, mail and door-to-door to reach all potentially eligible borrowers, partnering with non-profit community based organizations to conduct the outreach.
3. **Change the Loan to Value ratio requirements:** CalHFA should remove the requirement that a mortgage be underwater for PRP funds to be used, and also allow principal reduction to 90% LTV.
4. **Require that loan modifications accompany all principal reductions:** Work with banks to make sure that when funds are used through the PRP funds that the homeowner sees an accompanied reduction in monthly payments through an affordable loan modification.
5. **Allow "delegated authority":** Allowing "batch servicing" and much of the initial screening and processing to be done by the servicer will speed up the process for the homeowner and give servicers a better opportunity to do pro-active outreach to borrowers.
6. **Allow for a set-aside of funds for public entities and CDFIs:** Public entities and non-profit CDFIs are better suited to give more principal reduction and provide better options for homeowners than traditional servicers. If the money begins to be spent down more quickly, CalHFA should work to ensure that a set-aside of funds is reserved for these entities.
7. **Create a retroactive program:** Add a program specifically for those who have already lost their home or would have qualified for the program if their servicer participated in the past.

**Many community groups, advocates and elected officials have been raising serious concerns about the Keep Your Home California program for the last several years. It's time for bold action to make needed improvements and get this money out the door to save more homes from foreclosure.**

**Please let us know if you are willing to implement these needed changes. You can communicate with our Campaign Coordinator Maurice Weeks at 973-494-2461 or mweeks@calorganize.org.**

Sincerely,
ACCE (Alliance of Californians for Community Empowerment)