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January 13, 2017

The Honorable Orrin Hatch
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate
Washington, DC 20510

Re: Nomination of Steven Mnuchin for Secretary of the Treasury

Dear Chairman Hatch and Ranking Member Wyden:

I write in connection with the nomination of Steven Mnuchin to be Secretary of the Treasury. I do not know Mr. Mnuchin, but as the former executive director of the HOPE NOW Alliance, I am intimately familiar with the loan modification and home retention programs of OneWest Bank, which have played such a prominent role in the media coverage of Mr. Mnuchin's nomination. I therefore wanted to make sure that the Committee has accurate facts as it considers this important nomination.

HOPE NOW is a voluntary alliance between counselors, mortgage companies, investors, regulators, and other mortgage market participants created in 2007 with the strong encouragement of the Department of the Treasury and the Department of Housing and Urban Development. HOPE NOW brought together diverse stakeholders to collaborate to address challenges in mortgage servicing and to assist at-risk homeowners. Since 2007, HOPE NOW has played an important role in facilitating more than six million loan modifications and other foreclosure avoidance solutions for homeowners. I was proud to lead the organization from its inception during the financial crisis through early 2013.

Although the government encouraged the creation of HOPE NOW, membership is purely voluntary and not all banks and mortgage companies joined the alliance. Under Mr. Mnuchin's leadership, however, OneWest Bank joined early and took an active and leading role in rolling out homeowner assistance programs to its borrowers. In fact, OneWest was an early adopter of numerous voluntary loan modification programs, reflecting both the company's cultural commitment to home retention and Mr. Mnuchin's personal commitment to the FDIC to vigorously pursue foreclosure avoidance options wherever possible. For example, OneWest was one of the first banks to adopt the Principal Reduction Alternative, an optional part of the federal HAMP program under which participating servicers reduced borrower principal (non-participating institutions only reduced borrower interest rates, which was found to be a less sustainable model for borrowers who loan balances exceeded their property value). OneWest

also was an early adopter of the 2MP program, which allowed servicers to modify qualifying second mortgages. OneWest was not required to offer any of these benefits to borrowers, and not all servicers adopted these programs. But OneWest's loan retention staff, as well as leadership, were committed to avoiding foreclosures where possible and were tremendous industry partners. To me, OneWest's consistent adoption of new home retention innovations spoke volumes about the company's commitment in this important area.

Home retention options for the industry were varied and lacked a strong, consistent structure until HOPE NOW members and investors began coordination on a national loan modification structure. These industry efforts were enhanced when the Government HAMP modification program was introduced to servicers and loan investors in 2009. As a reminder, a loan modification means there is a reduction in rate, or change in term, or reduction in principal balance of a loan. Introducing these at scale was challenging to the mortgage industry and the investor community. Yet both the volume and the quality of home retention options OneWest provided to its customers were highly regarded, both by me and my HOPE NOW colleagues and by the federal government offices overseeing servicer performance. Treasury Department reports on loan modifications show that OneWest offered more than 101,000 loan modifications to struggling homeowners. And when OneWest offered loan modifications, its offers included principal forgiveness as much as five times more often industry averages. Its loan modifications also stood out for sustainability: The rate at which its trial modifications were converted to permanent modifications was 91 percent, the highest rate in the industry.

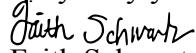
I should note that OneWest's work to help borrowers through the financial crisis was not limited to modifications but also focused on refinance solutions. OneWest was a major supporter of the Obama Administration's HARP refinancing program, which encouraged banks to refinance high-rate mortgages on properties with little or no equity into more sustainable, lower rate loans. It is my view that this is one of the most important refinance programs that has been offered in the country, preventing subsequent foreclosures and modifications. The GSEs, the Federal Housing Finance Agency, and lender partners saved homeowners from default by supporting this innovative refinance program. In 2013, the last year before OneWest sold its mortgage business, the company originated more than \$400 million in HARP refinance loans, including more than \$70 million to minority borrowers. This last point is particularly relevant, since some media reports have suggested that the company failed to lend in minority communities based on data for the time period after OneWest exited the mortgage business.

I was very proud to lead HOPE NOW through this very dark economic time. The industry and homeowners struggled with record level defaults and the systems and processes were initially not adequate to accommodate the widespread national problems in the housing market. In order to make progress, the approaches to minimizing foreclosure needed reengineering, partnering, and strong communications, to make sure all options were reviewed to help troubled homeowners avoid foreclosures, and OneWest was an important partner and supporter in this effort.

Despite all efforts to mitigate foreclosures, OneWest, like all servicers, did foreclose on some borrowers. It is important to review the full picture of activity to understand the scope of the situation and the progress and failures through this time period. One West had far fewer

foreclosures than solutions it offered to homeowners. The regrettable fact of the financial crisis is that, for a variety of reasons, some borrowers lacked the financial ability to make payments on their loan obligations on any reasonable terms. For these borrowers, the question is whether OneWest exhausted all home retention options before foreclosing, and it made material errors in the foreclosure process. The best evidence on this question comes from the government's report of the results of the Independent Foreclosure Review, which required the 14 largest mortgage banks to review all their post-crisis foreclosure for compliance errors. This report showed that OneWest made mistakes in the loan modification process less than one-half of one percent of the time. Per the report, it foreclosed on borrowers who were not liable for foreclosure only .001 percent of the time, and in that minuscule number of cases, it paid full restitution to the affected borrowers. Most every institution I worked with through the crisis put their heart and soul into helping homeowners. That often gets lost in the discussions. While even one avoidable foreclosure is too many, my experience working with financial institutions is that OneWest's compliance rate put it at or near the very top performance of servicers.

Let me reiterate that I do not know Steven Mnuchin personally but I dealt with his management team from the top ranks through the day-to-day staff that worked directly with at-risk borrowers. They were very active with HOPE NOW and supportive of the many efforts underway to help borrowers in default. I have no political agenda in promoting his confirmation. But as the former head of the national organization dedicated to finding home retention solutions for struggling homeowners affected by the financial crisis, I believe the record should be clear about the actual record of OneWest in delivering solutions to many thousands of its customers during my tenure at HOPE NOW.

Very truly yours,

Faith Schwartz
Former Executive Director
HOPE NOW

cc. Members of the Senate Finance Committee