

Testimony of

**Joe Ohayon
Community Relations Manager
Wells Fargo Home Mortgage Servicing**

Before the

**Committee on Oversight and Government Reform
U.S. House of Representatives**

March 19, 2012

Chairman Issa, Ranking Member Cummings, and Members of the Committee, I am Joe Ohayon and I manage national community outreach for Wells Fargo Home Mortgage's servicing business. I appreciate the opportunity to appear before you today to discuss Wells Fargo's efforts to respond to the demanding housing crisis and our efforts to keep American families in their homes.

Today, I would like to outline four broad areas where we have focused our efforts to manage the challenges that our housing market continues to face.

First, we engage with our customers in innovative ways to understand their unique circumstances. Traditional means of connecting with customers do not always result in success, even though we are able to find solutions for 7 out of every 10 customers who work with us. As a result, in 2009, we began hosting large-scale Home Preservation Workshops (HPW). At an HPW, our customers have the opportunity to meet face-to-face with a Wells Fargo home preservation specialist who has the authority to make decisions on the spot, in many cases, providing loan modifications and other payment relief options. Local nonprofit housing counselors are also available to provide holistic counseling and act as a trusted advisor. We have found these types of face to face meetings with our customers to be very successful. We are typically able to provide a workout to about 2 out of 3 customers who attend a Wells Fargo Home Preservation Workshop. The vast majority of those workouts are loan modifications.

To date, Wells Fargo has conducted 57 Home Preservation Workshops nationally, meeting with more than 31,000 customers since late 2009. Wells Fargo is scheduling dozens of these Home Preservation Workshops in 2012 in hard hit communities across the country to help homeowners who may be facing difficulty with their mortgage payments. And through our 28 neighborhood-based home preservation centers, we have met face-to-face with an additional 40,000 customers.

I have personally attended at least 50 of our home preservation events— including one right here in Brooklyn in January 2011 where we met with over 1,000 of our customers.

I have sat down with our customers, listened to the stories told by families, and have a better understanding of what brought them to the point of possibly losing their homes. It is not about just the numbers and their finances; it is about understanding what put their homes at-risk. We have learned a lot at these events and we have applied what we found at our outreach events and to the way we serve our customers.

One important lesson we have learned is that the home preservation and foreclosure process is complex and intimidating and can be difficult for customers to fully understand. We needed to provide more consistent and predictable service to our customers so they can be realistic about their options. We had to improve communication. Understanding this, Wells Fargo adopted a Single Point of Contact model for customers who are pursuing a loan modification or working with us to sell their home and avoid foreclosure. Almost two years ago, in June 2010, we began assigning one home preservation specialist to work with a customer on a modification from beginning to end. The Single Point of Contact model has reaped significant benefits for our customers and Wells Fargo by building a one-to-one relationship with customers in default.

Second, we collaborate with local leaders, community groups, and housing advocates to develop initiatives to address unique housing needs in their communities. There is great value in the strong relationships we have formed with groups such as NACA, HopeNow, HomeFree USA, and Neighborworks—who serve as another portal for to reach customers individually.

Our customer outreach and work with communities have led to success in assisting customers that work with us by using a combination of our own refinance and modification programs along with the programs that have been made available through Making Home Affordable, the Hardest Hit Funds, and other government programs.

I know that there have been many of questions raised about the success of HAMP. And while the number of borrowers helped through the program has not met the government's initial projections, HAMP paved the way for large investors – such as Fannie Mae and Freddie Mac – to implement standardized guidelines instead of requiring servicers to call for authorization on every individual modification. In addition, because of HAMP, many more borrowers are now

aware that modifications and other options to help them stay in their homes are available, and that has improved our success in getting borrowers engaged.

On the modification side, Wells Fargo had more than 733,000 active trial or completed mortgage modifications in place as of January 31, 2012, of which 85 percent are our own proprietary programs. HAMP loan modifications represent 15 percent of the mortgage modifications we do.

It is important to note that Wells Fargo's modification activity has included extending more than \$4.1 billion in principal forgiveness and another \$900 million in forgiveness borrowers can earn through on-time payments over 3 years—primarily on Wells Fargo-owned loans that we service—and an additional \$2.2 billion of deferred principal on modified investor- and Wells Fargo-owned loans. We utilized principal forgiveness together with repayment plans, interest rate reductions, and other tools as part of a customized approach to our customers' circumstances – all with the goal of determining each customer's level of payment affordability.

To achieve this, we have invested heavily in hiring and training more than 10,600 additional home preservation staff since the beginning of 2009 – for a current total of more than 15,700 people.

In addition, from January 2009 through January 2012, for example, we helped more than 3.4 million customers obtain a refinance to take advantage of historically low interest rates. That activity includes more than 326,000 refinances for borrowers with loan-to-value ratios greater than 80 percent through the *Home Affordable Refinance Program*. Wells Fargo recently rolled out many of the latest expansions to HARP and we have seen strong interest in that expanded program.

Refinancing helps borrowers who are current on their payments take advantage of today's low interest rates, but it can also be a critical tool in helping those facing financial challenges to avoid falling behind on their payments. For example, we recently worked with one of our customers who was living on a fixed income in Racine, Wisconsin, who has kept up with her mortgage

payments, but was facing financial challenges related to her mounting medical bills. A refinance under HARP was able to save her nearly \$2,000 a year that she could use for these critical needs. Or a couple dealing with the husband's inability to work after suffering a stroke; they saved more than \$5,000 a year as a result of a HARP refinance.

We believe it is in our customers' and the country's best interests to help customers maintain homeownership whenever possible. And, it is our goal to exhaust all options before moving a home to foreclosure sale.

Our third area of focus is the recent announcement of a settlement by five of the nation's largest servicers with 49 state Attorneys General and various agencies of the federal government. While the settlement is not final until it is approved by a federal district court judge in the District of Columbia, we believe that the various components of the pending settlement collectively represent very important steps toward restoring confidence in mortgage servicers and stability in the housing market.

Wells Fargo's financial commitment toward the overall \$25 billion agreement is \$5.3 billion. It is comprised of programs that build on the significant refinance and consumer relief efforts we have made to date. The expanded refinance, modification, and other options are primarily available to customers with Wells Fargo-owned loans that we service. The national servicing standards we developed will apply to all of the first mortgage loans we service.

The pending national servicing settlement will result in a substantial expansion of our use of principal forgiveness on portfolio first and second mortgages that we service. Starting on March 1, despite the fact that the settlement is still pending, we began actively communicating with borrowers who might qualify for consumer relief under the terms of the settlement.

Also as of March 1, we can let customers know, upon request, if they may be eligible for the expanded first-lien refinance program. Beginning in April, mailings will go out to customers

who are current on their payments, have little or negative equity in their homes, but may qualify for the new refinance program.

We are working diligently to finalize plans to quickly provide consumer relief to as many customers as possible. As part of our work with the monitor appointed as part of the settlement, the public will be able to judge our success in satisfying the consumer relief, refinance commitments we made as part of the settlement. Our success in implementing the national servicing standards will also be carefully scrutinized by the monitor. At this early date, it is premature to project which forms of relief will be provided to which customers.

Mr. Chairman, I know that you, Ranking Member Cummings, and other members of the committee are also interested in what we are doing to address the needs of our customers who are serving our country in our military. So, let me address the steps we have taken and additional actions we will take in the future, with respect to our customers who serve in the Armed Forces.

At Wells Fargo we believe it is an honor to serve those who serve our country. As such, we take very seriously our responsibility to comply with SCRA and have made several enhancements to better support servicemembers who may be experiencing financial stress. These enhancements include:

- A 4 percent interest rate cap for first mortgage consumer real estate loans that we own and that otherwise qualify for protection under SCRA Section 527. This is 2 percent lower than the interest rate provided by law.
- An enhanced loan modification program—including principal reduction, when appropriate—for borrowers who qualify under SCRA Section 533 and have loans that we own.
- A 12-month foreclosure grace period following an SCRA-eligible servicemember's return from active duty. This better aligns with the statutory grace period for interest rate protection.

- Second-level review and escalated approval for all foreclosure and repossession activities on all real estate-secured loans made to SCRA-eligible borrowers whose grace period has expired, and for all spouses and partners to whom we have extended SCRA-type benefits.

In addition to those enhancements, we also have made a number of commitments with respect to our servicemember customers as part of the regulatory consent orders that Wells Fargo and 13 other servicers entered into with the OCC and Federal Reserve. The national servicing settlement expands by two years our review of our records to determine if we have made a mistake in connection with an SCRA-eligible loan. If we find a mistake, we will make things right with our servicemember customers.

Our fourth area of focus, as the nation's leading mortgage lender and servicer, reflects our deep commitment to homeownership in America. Despite the challenges of recent years, we know that homeownership is still highly valued and desired by the American public. We believe that sustainable homeownership is a cornerstone for building generational wealth and is critically important to the economic health of our country. I would like to outline a few of the things we are doing to help reinforce and strengthen the foundation for the future of homeownership.

In February Wells Fargo launched a pilot program called *Neighborhood LIFTSM*, an initiative that includes down payment assistance, locally designed programs to address housing priorities, and local outreach events focused on home-buying education and support. The pilot, in partnership with NeighborWorks America, includes a five-year purchase mortgage lending goal of \$10.5 billion in Los Angeles and \$1.3 billion in Atlanta; along with grants and program funds in 2012 in those communities of \$15 million and \$8 million, respectively, and will be expanded next into Phoenix.

More than 2,000 prospective homebuyers attended the first NeighborhoodLIFT events in Los Angeles and Atlanta and, of those, 647 made reservations for down payment assistance grants. Each of these prospective homebuyers then has a 60-day window to purchase and close on a home. If the pilot program works as expected, we will be providing nearly \$13 million in down

payment assistance in Los Angeles, with individual grants ranging up to \$30,000, and more than \$6 million in down payment assistance in Atlanta, with individual grants up to \$15,000.

Another program we have launched is *My Home Roadmap*sm, a first-of-its-kind service for customers who have met with one of our home mortgage consultants and were either turned down for credit or elected not to apply at the time. This program offers a referral for up to 2 hours of pre-purchase counseling with a certified national credit counselor—paid for by Wells Fargo—to provide them with options and support as they proceed down the path to homeownership.

My Home Roadmap is just one of the programs we are rolling out through our *Leading Forward for Homeownership*sm initiatives designed to help new borrowers better prepare for homeownership, make fully informed borrowing choices, and effectively manage their finances after they have purchased a home. And that is just one part of a broader commitment to helping move the housing markets into the future and ensure that the value of homeownership can be recognized by future generations.

In conclusion, we remain fully committed to doing what we can to help stabilize the housing industry for the benefit of homeowners, individual communities and the overall economy. We continue to work hard helping people to stay in their homes whenever realistically possible. And, as a standard business practice, we constantly review our policies and procedures to improve the quality of service we give to customers facing financial challenges.

Thank you for your time, and I look forward to your questions.

Joe Ohayon, Senior Vice President of Community Relations at Wells Fargo Home Mortgage, manages community outreach activities that promote the company's homeownership preservation programs. Joe joined Wells Fargo in November 2006 and brings 17 years of mortgage servicing experience to bear for borrowers. Prior to joining Wells Fargo, he spent 13 years with Freddie Mac managing their Servicing Customer Relations Department where he was responsible for the overall servicing relationships with Freddie Mac's largest and most consequential customers. Joe has a Bachelor of Arts in Finance from Frostburg State University in Frostburg, MD and a Masters of Business Administration from Marymount University, Arlington, VA.

Committee on Oversight and Government Reform
Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)(5)

Name:

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2008. Include the source and amount of each grant or contract.

None

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

- Wells Fargo Home Mortgage
- Employee

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2008, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

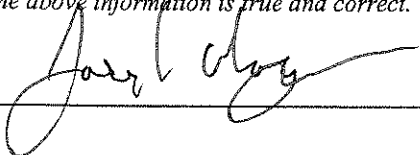
Amended and Restated Commitment to Purchase Financial Instrument and Servicer Participation Agreement for Wells Fargo Bank, NA dated March 12, 2010.

Source: U.S. Treasury

Amount contingent on borrow participation and performance and servicer compliance.

These are our primary grant and contracts by Wells Fargo Home Mortgage that have been indentified, but may not be exhaustive. List does not include contracts with the GSEs or Federal Home Loan Banks.

I certify that the above information is true and correct.
Signature:



Date:

3/16/2