

TESTIMONY OF

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**SENIOR VICE PRESIDENT,
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BANK OF AMERICA**

Before the

**HOUSE OVERSIGHT AND GOVERNMENT
REFORM COMMITTEE**

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Introduction

Chairman Issa, Ranking Member Cummings, Congressman Towns and other Members of the Committee, thank you for the invitation to appear before you today to discuss how Bank of America is helping our customers avoid foreclosure and how we are contributing to the recovery of our communities.

My name is Sheila Sellers, and as a Senior Vice President for National Mortgage Outreach executive at Bank of America, I have seen firsthand the impact the housing crisis has had on American homeowners and our neighborhoods. I support many of our borrower outreach events – and work closely with the staff at our customer assistance centers – in some of the hardest hit communities across the country, including here in Brooklyn, in Baltimore and throughout the state of California.

In doing so, I have personally worked with families struggling with issues such as unemployment, underemployment and medical problems that are making it difficult for them to keep up with their mortgage payments. And, I have seen the relief on their faces when they find a solution that brings them peace of mind and security for their families.

While we, and others in the industry, have experienced challenges in responding to the unprecedented surge of people seeking assistance, we are committed to doing the right thing for our customers, and for the neighborhoods whose health and vitality is so essential to the recovery of the housing market and economy. We fully appreciate and take very seriously our responsibility to help homeowners avoid foreclosure whenever possible.

Since 2008, we have strived to provide our customers with solutions that have helped prevent nearly 1.5 million foreclosures, including more than one million loan modifications. Today, we have approximately 45,000 people fully dedicated to assisting customers who are struggling with their mortgage payment; we work with more than 2,000 non-profit organizations focused on foreclosure prevention; and we are at the forefront of key issues such as providing targeted principal reduction and offering special assistance to military servicemembers and veterans.

We recognize the significant challenges facing homeowners in the greater New York area, and partner with state and local government and community leaders to make mortgage assistance more easily accessible and understandable, and to invest in the future of neighborhoods across the region. To date, we have provided customers in the State of New York nearly 40,000 loan modifications or other foreclosure avoidance solutions, and, among other things, we have:

- Opened two Customer Assistance Centers in Brooklyn and West Hempstead that provide New York City homeowners access to face-to-face, end-to-end assistance from specially trained associates.
- Held six borrower outreach events solely for Bank of America customers in the New York area, including two events hosted in Brooklyn, and participated in more than 40 borrower outreach events in the greater New York region over the past several years.
- Become the largest corporate supporter of the Center for New York City Neighborhoods, a consortium of non-profit organizations serving New Yorkers having difficulty paying their mortgages.
- Provided more than \$9 million in grants in support of neighborhood preservation, education, arts and culture in the New York City area last year alone, with nearly half of our contributions going to those organizations specifically focused on serving low and moderate income New Yorkers.
- Extended additional support to non-profits serving Brooklyn, including the Pratt Area Community Council, Heart of Brooklyn, Bedford Stuyvesant Restoration, Fifth Avenue Committee and Cypress Hill LDC.

In addition to the programs and services already in place, the recent settlement between mortgage servicers, the State Attorneys General and the federal government will result in additional support to homeowners across the country. This assistance will benefit customers in states like New York, Maryland and California, among others.

The settlement is still under review by the courts and, because of that, I hope you understand I cannot speak to it in detail. But I can tell you that what the State Attorneys General, federal agencies, and major servicers have agreed to will be an important step forward in collective efforts to restore our housing market to a healthy condition.

Helping customers avoid foreclosure

With those points in mind, let me provide specific details about our efforts to help customers avoid foreclosure.

Our primary goal is to help customers into affordable mortgage payments so they can stay in their home. We were among the first servicers to implement the Home Affordable Mortgage Program (HAMP), and lead the industry in modifications completed through both the first and second lien programs. For customers who do not qualify for HAMP, we offer a number of alternative modification solutions, including forbearance, payment deferment, interest rate changes and targeted principal reduction designed to help customers achieve a more affordable payment.

In cases where a borrower is unable to afford their loan or is no longer interested in remaining in their home, we facilitate short sale and deed-in-lieu of foreclosure options that allow customers to avoid foreclosure, reduce the impact on their credit and make a smooth transition to alternative housing. This also helps reduce the number of foreclosed properties that impact our communities. As more customers exhaust loan modification options, we are seeing a growing number interested in these transition solutions.

Through our experience, the opportunity to receive personalized one-on-one service or meet with a mortgage specialist face-to-face enhances borrower response rates and facilitates the process of moving towards a successful resolution. We have dramatically expanded our ability to deliver this level of service for our customers.

- Every borrower who seeks assistance is now provided a single point of contact who can work with them through resolution of their issue. Today, more than 675,000 customers have a relationship manager, which has reduced confusion and increased customer understanding of the process.
- Customers behind on their mortgage are invited to bank sponsored events where we bring the full loan modification process – including underwriting and financial counseling – under one roof, giving us the ability to provide eligible customers with decisions onsite.
- We also participate in hundreds of third-party events with organizations such as the Neighborhood Assistance Corporation of America, Alliance for Stabilizing Our Communities and HOPE NOW.
- We now have a network of 50 customer assistance centers where customers can meet face-to-face with specially trained associates who work with them through the entire process and assist with foreclosure prevention solutions if a modification is not possible.

Additionally, we work hard to ensure the service we provide our military servicemembers reflects the sacrifices they have made. We have created a dedicated mortgage servicing unit, loan modification program and special mortgage interest rates that go beyond the requirements of the Servicemembers Civil Relief Act (SCRA). We believe all mortgage servicers should expand support for military customers and their families, including more options for servicemembers who have experienced a permanent change of station and greater access to financial education for those coming off of active duty.

We currently serve as co-chair of the leading trade group focused on this issue and are collaborating with the Consumer Financial Protection Bureau and Department of Defense, among others, to explore ways to expand beyond the requirements of the SCRA and help ensure we meet the mortgage needs of active and veteran servicemembers.

I especially want to thank Chairman Issa and Ranking Member Cummings for their personal leadership and efforts to help us provide additional support for our servicemembers.

Moving forward following the global mortgage settlement

We recognize that as an industry we did not always achieve the high standards we should have. We have taken extensive steps to improve our service levels and give our customers confidence that they are being treated fairly and reacting appropriately when that is not the case. And while the circumstances that led the industry to this point are regrettable, the recent completion of the year-long investigation by federal and state officials into the past practices of the largest mortgage servicers is an important step forward for the industry.

The settlement, once finalized, will enable us to proceed with greater certainty, build on the progress we have made thus far, and provide additional support for homeowners. Under terms of the agreements, Bank of America will deliver new or enhanced programs designed to assist mortgage customers, including:

- Loan modifications: Targeted principal reductions for customers who are 60-days delinquent on their mortgage as of January 31, 2012 and owe more on their mortgage than the current value of their home.

- Refinancing: Lower interest rates for homeowners with mortgages owned by Bank of America who are current on their payments and owe more than the current value of their homes.
- Home transition assistance: Transitional funds and assistance for borrowers transitioning out of their home through short sale or deed-in-lieu of foreclosure.

Going beyond what is required as part of the agreements, we will extend additional relief to our customers. We will proactively reach out to eligible borrowers who may receive targeted principal reductions that could reduce their mortgage balance as low as the current market value of their home. We will defer foreclosure sales for many of these borrowers until they can be considered for this relief.

As the settlement is implemented, borrowers interested in remaining in their home will have greater clarity about the options available and can move forward with the solution that is best for them. At the same time, we continue to pursue additional ways to help those who will not be eligible for a modification or prefer not to stay in their home to avoid foreclosure, including:

- Continuing to educate about and promote our short sale and deed in lieu of foreclosure programs.
- Adding short sale specialists at borrower outreach events and customer assistance centers to provide face-to-face counseling.
- Increasing financial incentives and relocation assistance for borrowers who want to leave their home to help them transition to new housing.

We all agree that foreclosure must be a last resort. However, despite our best efforts, there are some customers who simply cannot afford to stay in their home, do not respond to our offers for assistance, or have already left their home. When all other options are exhausted, we must move forward responsibly. Particularly with regard to vacant properties, moving through the process and getting the home sold and reoccupied can dramatically help a neighborhood recover lost vitality. Of the foreclosure sales we completed in the fourth quarter, nearly 40% were already vacant.

To truly ensure all options have been exhausted, we continue to reach out to customers through a series of letters, outbound calling and invitations to meet face-to-face at events or assistance centers throughout the foreclosure process. We have explored other options as well. Still, making that critical connection remains a perplexing challenge for the industry, and we welcome suggestions for increasing customer response rates.

Stabilizing and rebuilding our communities

The long-term health of the housing market, and the broader economy, begins by stabilizing our communities and putting them on a path to recovery.

The support we offer homeowners does not end when they leave their home; we continue to work with our customers as they transition into their new housing situation. Together with the United Way and other community partners, we have developed a Home Transition Guide that provides customers with educational information and access to community resources like credit counseling services designed to help them develop a solid financial plan for the future. To date, more than 250,000 customers have received the guide in the mail or at homeowner events, or viewed it online.

We recognize the impact that foreclosed and vacant properties can have on our communities and are committed to effectively preserve properties, address neighborhood issues and help maintain property values. Our goal is to be a good neighbor by maintaining properties and returning homes to the market for another potential homeowner in a timely manner.

Through partnerships with cities, community groups and non-profits, we actively donate and offer discounted sale prices on our real estate owned (REO) properties to help provide stability to hard-hit communities.

- We have announced programs in several major cities that will result in the demolition and donation of low-value properties for redevelopment, donation or to create green space. We are currently exploring the potential for a similar partnership in New York City.
- We support the Neighborhood Stabilization Program, which allows community and non-profit groups access to the bank's REO inventory before cash buyers and investors. In New York, we work closely with Neighborhood Restore, which rehabilitates properties for the city's Department of Housing Preservation and Development.

- Additional properties have been donated to military servicemembers and veterans, police officers and other first responders, and in support of disaster relief efforts and community development. In particular, through a partnership with the Military Warriors Support Foundation, we donate homes to servicemembers critically injured in combat.

Along with all we do to address the current challenges in the housing market, we have continued to actively extend credit and invest in our neighborhoods in order to build for the future. In New York alone last year, we provided individuals and families more than \$5.3 billion in mortgage financing, including \$1.1 billion to low-to-moderate income borrowers. In addition, another \$400 million was provided to small business owners in the state and another \$16 million invested in local nonprofit community organizations.

Through our support of the Center for New York City Neighborhoods, we provide legal services, housing counseling, and consumer education to those at risk of losing their homes to foreclosure. Beginning this month, the Center's housing counselor representatives will join our employees and provide assistance to customers face-to-face in our Brooklyn Customer Assistance Center. The goal is to expand this to include West Hempstead in the future. We also continue to support the Center's Rise Up & Stay Put! foreclosure prevention events through the Alliance for Stabilizing our Communities, an initiative funded by Bank of America and targeted to multicultural communities in distress.

In addition, among other commitments in Brooklyn, we awarded \$200,000 each to help support the general operations of three neighborhood builders: Cypress Hills LDC, Fifth Avenue Committee and Bedford Stuyvesant Restoration. We also provide these organizations specially designed programs to help their leaders develop skills in organizational and strategic management, forging alliances, and building communities.

These investments are making a difference. Here are two recent examples:

- We worked with community leaders, city officials, and the New York City Housing Development Corporation to provide an investment that allowed The Hudson Companies to build the Dumont Green development, which now provides 176 energy-efficient apartments to low-income families in Brooklyn.
- We provided funding to the Gateway Elton Street 1 Development Project – a new, green, affordable-housing complex in Brooklyn. Once complete, this complex will offer more than 650 affordable apartments with approximately 60,000-square-feet of community space.

Conclusion

Our commitment to helping customers avoid foreclosure and to doing what is best for our communities across the country is strong and enduring. With the completion of a global mortgage settlement, we have the opportunity to move forward and unite to focus on getting the housing market back on track. There is no single solution to the challenges we face, but we strive to:

- Provide our customers timely and accurate decisions so they can move forward with their lives – Our goal will be to help them stay in their home whenever possible; where that is not possible, we will explore all other options available to help them avoid foreclosure
- When every alternative is exhausted, help support the recovery of our housing market by moving forward with foreclosures responsibly, with a focus on minimizing the impact on customers and our communities.
- Continue to invest in the stabilization and revitalization of our neighborhoods to put us in a position to grow and strive as the job market and broader economy recover.

Thank you and I look forward to your questions.