



## Department of Justice

**THOMAS J. MILLER**  
ATTORNEY GENERAL

ADDRESS REPLY TO:  
HOOVER BUILDING  
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October 7, 2008

### **[Letter Sent to 16 Subprime Mortgage Servicers – see list below.]**

We are writing on behalf of the State Foreclosure Prevention Working Group, which consists of representatives of the Attorneys General of 10 states (Arizona, California, Colorado, Iowa, Illinois, Massachusetts, Michigan, North Carolina, Ohio, and Texas), two state bank regulators (New York and North Carolina) and the Conference of State Bank Supervisors. Approximately one year ago, we met with you in Chicago to discuss the need for loan modification programs to avoid the coming foreclosure crisis. Since then, much has happened in the financial markets. Now, it has become clear that the scope and scale of this foreclosure crisis demands a more efficient response than handling individual borrower cases one at a time.

The third report by our Working Group, issued last week, concluded that industry measures to keep homeowners out of foreclosure had slipped since the Working Group's previous report in April, and that nearly eight out of ten seriously delinquent homeowners are not on track for any loss mitigation outcome. Our report concluded: "The mortgage industry's failure to develop systematic approaches to prevent foreclosures has only spurred declines in property values and further increased expected losses on mortgage loan portfolios." This flood of foreclosures is at the heart of falling home prices and the severe liquidity crisis currently gripping the nation.

Yesterday a group of state Attorneys General (including Arizona, California, Iowa, Illinois, Michigan, North Carolina, Ohio, and Texas) announced a streamlined loan modification program that was negotiated with Bank of America regarding the company's purchase of Countrywide Financial. Other members of the group, such as Massachusetts, have had success with systematic loan modifications as a result of litigation. These types of aggressive, systematic programs are exactly what is needed at this critical juncture.

Given the significant losses associated with foreclosures, and your fiduciary duty to maximize the return for your investors, we believe that every major servicer of subprime loans should adopt these types of programs as soon as possible. We believe that doing so is in the interests of homeowners, servicers, investors, and the economy at large. We urge you in the

strongest possible terms to adopt a comprehensive, streamlined, and effective loan modification program as soon as possible.

We look forward to further dialogue with you on this issue.

Sincerely,



TOM MILLER  
Attorney General of Iowa

And the following:

The Honorable Terry Goddard  
Attorney General of Arizona

The Honorable Roy Cooper  
Attorney General of North Carolina

The Honorable Edmund G. Brown  
Attorney General of California

The Honorable Nancy H. Rogers  
Attorney General of Ohio

The Honorable Lisa Madigan  
Attorney General of Illinois

The Honorable Greg Abbott  
Attorney General of Texas

The Honorable Martha Coakley  
Attorney General of Massachusetts

Richard H. Neiman  
New York Superintendent of Banks

The Honorable Mike Cox  
Attorney General of Michigan

Joseph A. Smith, Jr.  
North Carolina Commissioner of Banks

[Letter sent October 7 to: American Home Mortgage Servicing, Inc.; Carrington Mortgage Services, LLC; Chase; Citi; EMC Mortgage Corporation; HSBC Finance Corporation; HomeEq Mortgage Servicing; Home Loan Services; Litton Loan Servicing; Morgan Stanley Home Loans (Saxon Mortgage); Nationstar Mortgage LLC; Ocwen Financial Corporation; Residential Capital, LLC; Select Portfolio Servicing, Inc.; Wells Fargo Home Mortgage; Wilshire Credit Corporation.]