

Testimony of

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**Before the
Senate Banking Committee
United States Senate**

July 16, 2009

Chairman Dodd, Ranking Member Shelby and Members of the Committee, I'm Mary Coffin, executive vice president of Wells Fargo Home Mortgage Servicing. Thank you for inviting me to speak today.

Throughout this historic public and private sector collaboration, Wells Fargo has considered it our leadership responsibility to champion solutions. We have played a key role in creating streamlined, unified modification programs to help customers in need.

A prime example of our work with the Administration is the new *Homeowner Affordability and Stability Plan*, which we fully support. Early indications are that the *Home Affordable Refinance Program* (HARP) and *Home Affordable Modification Program* (HAMP) are of great value, and will benefit a significant number of families.

In fact, we believe the Administration's goal to help as many as 7 - 9 million homeowners over the next few years is well within reach. In the first half of 2009, through lower rates, refinances and modifications, Wells Fargo alone has helped close to 1 million American homeowners.

We refinanced three-quarters of a million customers through HARP and standard programs. And, since our company represents approximately 20 percent of the market, we could estimate that close to 4 million Americans industry-wide have already refinanced into lower mortgage payments.

In these turbulent times, it is important to note that more than 90 percent of our borrowers remain current on their mortgage payments. To help those in need of assistance in the first half of this year, we have provided more than 200,000 trial and completed modifications, an increase of about 100 percent for the same period one year ago. Notably, last month, 83 percent of Wells Fargo's modifications resulted in a payment reduction which increases the probability customers will sustain these payments and, in turn, lowers re-default rates and foreclosures.

Acutely aware of the importance of speed, Wells Fargo worked with the government aggressively to develop and deliver HARP and HAMP. We did this in a way that was mindful of our responsibility to American taxpayers to execute solutions for those truly in need.

Speed of execution was complicated by the multiple versions of the program – each with unique contract requirements.

- On March 4, the Administration first announced the components of the *Homeowner Affordability and Stability Plan*.
- By April 6, we received the final HAMP guidelines from Fannie and Freddie, and began

implementing this program for these customers.

- On April 13, we were the first to sign a HAMP contract for loans we service for private investors as well as for loans in our owned portfolio. Further details for this program were finalized by May 14, and we began offering it 9 days later.

Since January, we have been providing loan workouts to Wachovia option ARM customers who are struggling with their payments and, at the end of this month, we will add HAMP as yet another potential solution.

With this addition, we will have fully executed HAMP for almost all of our at-risk borrowers. It should be noted that the Administration has not yet made HAMP available for FHA, VA, and home equity borrowers.

Since we service one-third of the nation's FHA loans, we're hopeful that the government will soon provide this program, as well as the second-lien program as it was initially described to us.

As of June 30, Wells Fargo was in the process of finalizing 52,000 *Home Affordable Modifications*. When working with all of our seriously delinquent borrowers, 30 percent are not eligible for HAMP because they have an FHA or VA loan and another 15 percent do not meet the basic program requirements. Of the remaining 55 percent, we are actively working with half, and the other half has not yet chosen to work with us.

For those borrowers who don't qualify for HAMP, we immediately seek to find another modification or alternate solution to avoid foreclosure. Before any home moves to foreclosure sale, we conduct a final quality review to ensure all options have been exhausted.

We understand this time has been frustrating for our at-risk customers and that they are anxious and in need of answers.

With the President's February 18 announcement that refinance and modification programs would be forthcoming, we began to experience a large increase in customer inquiries. Knowing this would occur, we anticipated the influx, and increased and trained team members to handle it. Yet, it has been challenging to meet customer expectations as the various program details were provided to us over a period of 90 days.

While we forecasted an increase in inquiries – even from customers current on their mortgage payments – our forecast turned out to be low. Historically, on a monthly basis, 5 to 10 percent of

inquiries for loan workouts came from borrowers who were current. Since the announcement and the related increased focus on imminent default, that statistic has risen to nearly 40 percent. Of course, not everyone who calls qualifies for imminent default.

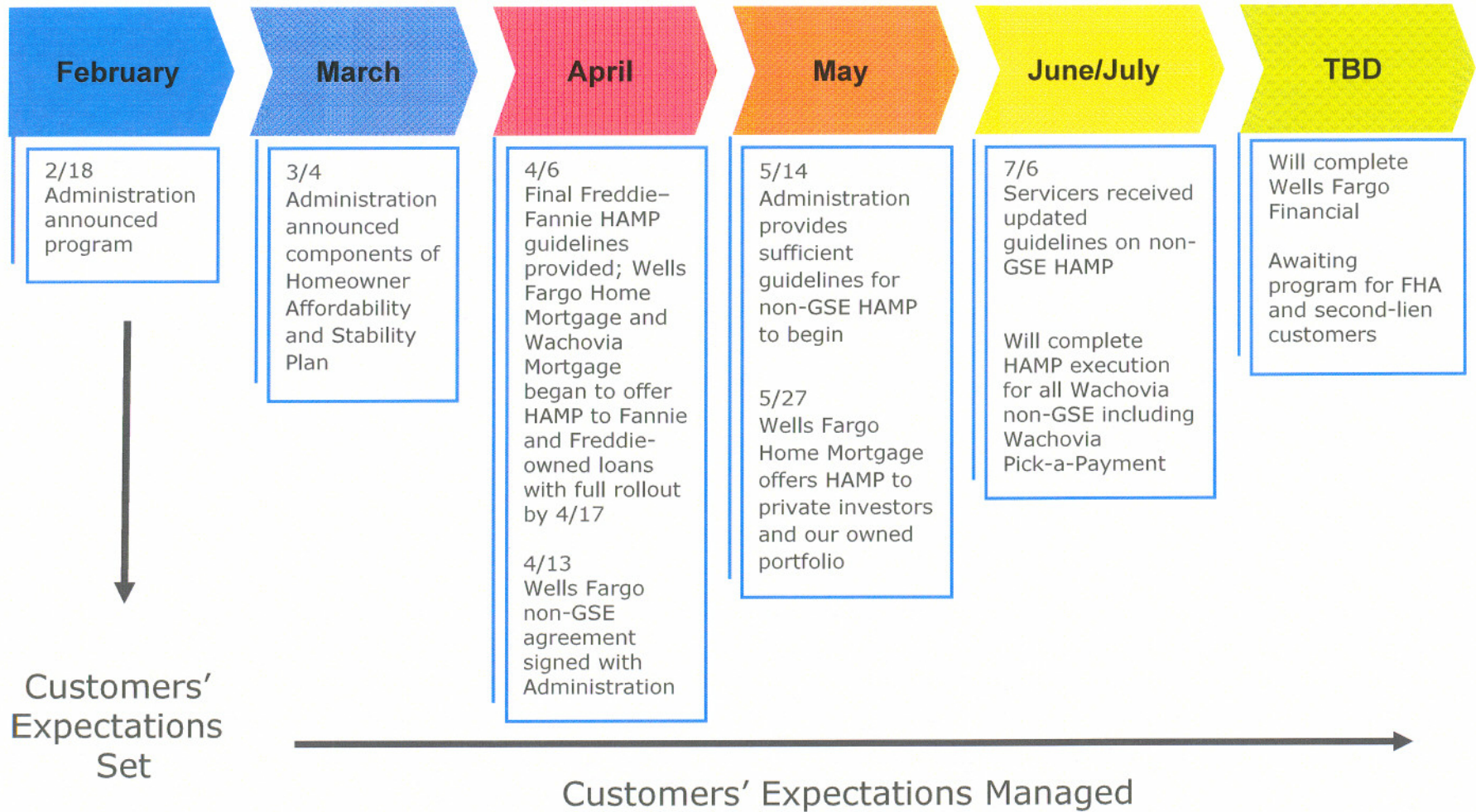
To manage this demand:

- we have implemented mandatory overtime;
- we have streamlined the receipt, imaging and processing of the required documents;
- we are upgrading systems to handle escrow requirements for home equity loans and lines; and,
- most importantly, we have increased our trained staff by 54 percent over the first half of this year to 11,500 default team members – all of whom are U.S. based.

In conclusion, we can sincerely tell you we have been working very hard to responsibly execute these programs and fully support them. We will continue to work with the government, consumer counselors, non-profit agencies and others to reduce foreclosure, save homes, and quickly maintain, sell and donate foreclosed properties in order to stabilize our economy.

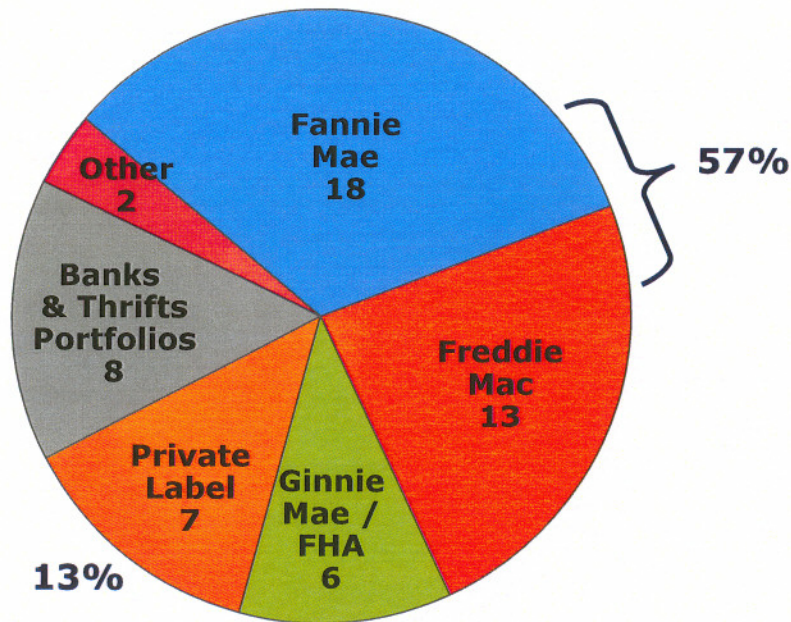
Our sincere thank you for all you've done to help us drive home retention by making the nation aware of the options available to those in need. I'd be glad to answer any questions you may have.

Home Affordable Modification Program Timeline



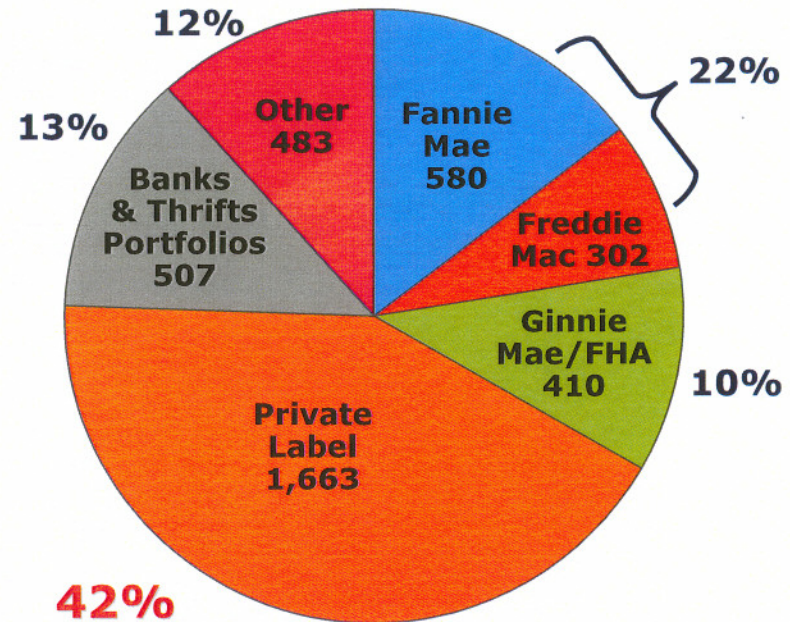
Q1 2009 Industry Seriously Delinquent Loans by Investor

Mortgages Outstanding
(millions)



Total: 54.5 million

Seriously Delinquent Mortgages
(thousands)



Total: 3.9 million

Source: FHFA, Freddie Mac