



February 8, 2008

Senator Mike Machado
Chairman
Senate Banking, Finance & Insurance Committee
Sacramento, CA 95814

Re: Support for Assembly Bill 69 (Lieu)

Dear Senator Machado:

I am writing on behalf of the Center for Responsible Lending (CRL) to express our support for Assembly Bill 69, which would provide needed data and transparency regarding delinquency volumes and the efforts of mortgage servicers in responding to delinquencies. Requiring that the data be made public on a lender-specific basis is essential to allow for critical examination of servicer loss mitigation, loan modification and foreclosure outcomes.

This important bill would require California-licensed mortgage servicers to file monthly reports with either the Commissioner of the Department of Corporations or the Department of Finance regarding the loans they service, including information such as the types of loans, whether the loans are in any of various stages of delinquency, and any loss mitigation efforts in process or completed. The Federal Home Mortgage Disclosure Act sets a clear precedent for the feasibility and value of democratizing lender-specific lending data. There is also California authority for publicizing entity-specific performance data, such as that collected on hospitals by the Office of Statewide Health Planning and Development.¹ Enacting AB 69 provides a similarly crucial tool for examining and comparing the outcomes of servicers with respect to loss mitigation.

Several entities are now collecting and reporting on loss mitigation efforts, including the California Department of Corporations, the State Foreclosure Prevention Working Group, and the Hope Now Alliance.² All of these initiatives rely on voluntary participation and only report

¹ Hospitals in California are required by the Office of Statewide Health Planning and Development (OSHPD) to submit a Hospital Quarterly Financial and Utilization Report after the end of each calendar quarter, and an Annual Financial Hospital Report at the end of each fiscal year that includes 250 data elements. The data includes expenses by cost center, revenues, financial ratios, licensing status, payer information, patient utilization, and a multitude of other data. The reports as well as a sophisticated search and comparison mechanism is made available on the OSHPD website for public review and analysis. See <http://www.oshpd.ca.gov/HID/Products/Hospitals/AnnFinanData/QueryTables/index.html>. include information by payer for hospital discharges, patient days, out patient visits, gross revenue and net revenue. The available data includes financial figures, listed by payer type, for the hospitals' charges ("Gross Outpatient Revenue" and "Gross Inpatient Revenue"), "Deductions From Revenue," (e.g., For "Contractual Adjustments") and revenues received ("Net Inpatient Revenues" and "Net Outpatient Revenues"). Additionally, OSHPD collects and publicizes information about hospitals' prices. See <http://oshpd.ca.gov/HID/Products/Hospitals/Chrgmstr/>.

² For CA Department of Corporations Data, see <http://www.corp.ca.gov/news/spl/surveyresults.pdf> and <http://www.corp.ca.gov/news/spl/lossmitigationltr.pdf>. For HOPE NOW data, see Bill Longbrake, "Prime and Subprime Residential Mortgages 2007 Loss Mitigation Activity By HOPE NOW Alliance Servicers," *Financial Services Roundtable* (Feb. 2008), available at <http://www.fsround.org/media/pdfs/NationaldataFeb.pdf>. For State

the data on an aggregate basis. AB 69 would level the playing field to require all state-regulated servicers to report loss mitigation activity data and would further provide transparency on the specific efforts of each entity.

More detailed data are collected in other forums, but are not released publicly. The American Securitization Forum has recently established much more detailed reporting on loan modification activity by servicers to investors in mortgage-backed securities.³ If the servicing data are being reported to investors, they should also be available to the public at large. Similarly, under the federal Securities and Exchange Commission's Regulation AB, servicers are required to make similar disclosures, providing a precedent for such reporting, and undermining any potential argument for the confidentiality of data. Nonetheless, if there is a *bona fide* need to maintain the privacy or confidentiality of any particular data point, that data point can be redacted from the public reports.

As Chairman Lieu indicated in his January 7, 2008 press release, "If these [loss mitigation] programs are what they're supposed to be, the lenders should be proud to report this data and show what a good job they're doing. *If they're not, we're going to shine a light on them.*" (emphasis added).

We urge you to support this critically important bill, and to maintain the lender-specific transparency provisions. We look forward to working with you to. If you have any questions, please do not hesitate to contact me, or my Legislative Associate, Lara Flynn, at 916/444-3509.

Sincerely,

Paul Leonard
California Director

cc: Honorable Members, Senate Banking, Finance & Insurance Committee

Prevention Working Group, see State Foreclosure Prevention Working Group, "Analysis of Subprime Mortgage Servicing Performance, Data Report #1," (Feb. 2008), available at <http://www.csbs.org/Content/NavigationMenu/Home/StateForeclosurePreventionWorkGroupDataReport.pdf>.

³ "American Securitization Forum: Recommended Definitions and Investor Reporting Standards for Modifications of Securitized Residential Mortgage Loans," at pp. 33-34 (Dec. 2007), available at <http://www.americansecuritization.com/uploadedFiles/FinalASFStatementonStreamlinedServicingProcedures.pdf>.