

LUIS V. GUTIERREZ

MEMBER OF CONGRESS
4TH DISTRICT, ILLINOIS

2266 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-8203
(202) 225-7810 Fax

DISTRICT OFFICE:

2201 WEST NORTH AVENUE
CHICAGO, IL 60647
(773) 342-0774
(773) 342-0776 Fax

Congress of the United States
House of Representatives
Washington, DC 20515-1304

COMMITTEES:

FINANCIAL SERVICES

SUBCOMMITTEES:

FINANCIAL INSTITUTIONS AND
CONSUMER CREDIT
CHAIRMAN

HOUSING AND COMMUNITY OPPORTUNITY

INTERNATIONAL MONETARY POLICY
AND TRADE

JUDICIARY

SUBCOMMITTEE

IMMIGRATION, CITIZENSHIP, REFUGEES,
BORDER SECURITY, AND INTERNATIONAL LAW

October 6, 2010

Mr. Neil Barofsky
Special Inspector General for the Troubled Asset Relief Program
1801 L Street, N.W.
Washington, D.C. 20220

The Honorable Ted Kaufman
Chairman, Congressional Oversight Panel
732 North Capitol Street, N.W.
Washington, D.C. 20401

Mr. Gene L. Dodaro
Acting Comptroller General of the United States, Government Accountability Office
441 G St., N.W.
Washington, D.C. 20548

Dear Special Inspector General Barofsky, Senator Kaufman, and Acting Comptroller General Dodaro:

The recent allegations about improper and possibly illegal foreclosure procedures by some of the country's biggest lenders and servicers may turn out to be the tip of the iceberg. For many who have lost their homes through the negligence, recklessness or even fraud incurred by financial institutions, appropriate remedies may seem elusive. Yet there is already enough evidence of unwarranted foreclosures and irregularities by lenders and servicers to warrant full investigations into the practices of these financial institutions.

Given these allegations, Bank of America, Ally Financial (formerly GMAC) and JP Morgan Chase -- all three beneficiaries of TARP funds -- have announced that they are suspending foreclosure proceedings in 23 states. This should provide temporary damage mitigation. But the practices in question appear to be widespread and the possible damages could be immense.

On Monday, October 4th, we held a congressional briefing in Chicago to discuss efforts to provide relief to property owners facing foreclosure and examine the role of government-owned companies - such as Freddie Mac and Fannie Mae- in the mortgage and foreclosure crisis. We heard concerns from elected officials and community-based organizations about the efficacy of current foreclosure mitigation processes and about the confusion stemming from the irregularities in the foreclosure practices of lenders and servicers. We heard testimony from representatives of the Federal Housing Finance Agency (FHFA), Freddie Mac and Fannie Mae, as well as from Wells Fargo and Bank of America. These two banks are also facing allegations of irregularities in their foreclosure practices. Their witnesses provided but a general glimpse into the alleged foreclosure irregularities. Yet at least they participated in our congressional briefing. Ally Financial, one of the largest mortgage companies and reportedly one of the most egregious perpetrators of widespread irregularities in foreclosure

proceedings, was also invited to testify at this timely congressional briefing. It declined our invitation. We will not relent in holding them and others accountable.

Given the apparent widespread disregard of due diligence performed by major financial institutions in processing foreclosures, and given that most of these institutions were rescued by taxpayers through TARP and some remain dependent on taxpayer support, we respectfully request that your organizations initiate an immediate investigation into this matter.

The legislation that President George W. Bush signed into law in 2008 creating TARP specifically stipulates: "The purposes of this Act are -- (1) to immediately provide authority and facilities that the Secretary of the Treasury can use to restore liquidity and stability to the financial system of the United States; and (2) to ensure that such authority and such facilities are used in a manner that -- (A) **protects home values**, college funds, retirement accounts, and life savings; (B) **preserves homeownership** and promotes jobs and economic growth; (C) maximizes overall returns to the taxpayers of the United States; and (D) provides public accountability for the exercise of such authority." [§2, P.L. 110-343, Emphasis added]

In your investigation, we ask that you examine whether any laws were broken by major TARP recipients, both past and present, in this matter. During the period of time that TARP recipients were aided by taxpayers, both past and present, what internal controls were or are in place by these firms to ensure that foreclosures were not unfairly and inappropriately expedited in violation of the law authorizing TARP that mandates foreclosure mitigation and homeownership preservation?

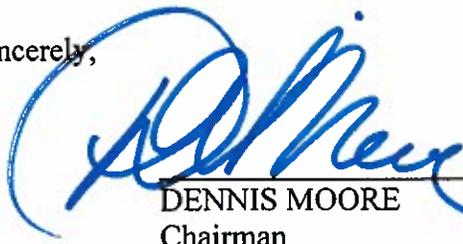
To what degree have federal regulators established controls or guidelines to ensure taxpayer funds were and are not abused to inappropriately expedite foreclosures that TARP recipients may have had no right to foreclose on, in violation of the law that mandates foreclosure mitigation and to protect homeowners?

American taxpayers stepped in to provide swift assistance to these financial institutions. They have come to the aid of these companies in their time of need through direct capital infusions, state-subsidized takeovers of potential rivals and public funds to finance their lending. The American people helped out these companies and the least they deserve is a guarantee of due process and fairness when faced with something as profoundly life-changing as a foreclosure. It is nothing short of a perversion of the system that these companies in turn put many of these American taxpayers on the street through unwarranted foreclosures and evictions. Your investigation will assist in holding these financial institutions accountable.

Sincerely,



LUIS V. GUTIÉRREZ
Chairman
House Financial Services Subcommittee
on Financial Institutions and Consumer Credit



DENNIS MOORE
Chairman
House Financial Services Subcommittee
on Oversight and Investigations

CC: The Honorable Timothy F. Geithner, Secretary, U.S. Department of the Treasury