THE COMMONWEALTH OF MASSACHUSETTS
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December 6, 2011

The Honorable Tim Johnson
Chairman
U.S. Senate Committee on Banking, Housing, and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Spencer Bachus
Chairman
U.S. House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

Re: Ally Financial; GMAC Foreclosure Behavior

Chairman Johnson

Dear Chairmen Johnson and Bachus:

I am writing regarding what we believe is serious misconduct committed by Ally Financial, through its subsidiary GMAC Mortgage, against homeowners in Massachusetts.

Last week, our office filed a lawsuit against Ally and four national banks for pursuing illegal foreclosures and deceptive loan servicing. Ally and other banks charted a destructive path by cutting corners and rushing to foreclose on homeowners without following the rule of law, which has exacerbated the nation's foreclosure crisis.

In light of Ally's alleged deceptive and illegal actions against homeowners in Massachusetts and across the country, I respectfully request that your committees investigate Ally's serious misconduct and consider what actions the federal government can take to ensure that Ally adheres to the law.

The United States Treasury owns approximately 74% of Ally Financial. In 2008, the United States invested $17 billion in Ally. Unlike some of the other banks, Ally has only paid a small portion of that back to the federal government. On March 11, 2010, the Congressional Oversight Panel for the Troubled Asset Relief Program in a report entitled *The Unique Treatment of GMAC Under TARP* questioned the wisdom of the federal government's investment in Ally.

Our complaint (attached to this letter) details numerous instances where Ally engaged in unfair and deceptive trade practices against Massachusetts homeowners in violation of Massachusetts law. First, Ally conducted foreclosures on mortgages in Massachusetts when it was not the holder of the mortgage. The Complaint lists illustrative examples in Dorchester, Stoneham and Douglas, Massachusetts where Ally commenced foreclosures and represented that it was the holder of the mortgage when it was not, and thus had no legal authority to conduct the foreclosure.

Second, the Complaint alleges that Ally and the other banks used false documentation in the foreclosure process, including so-called "robo-signing", whereby bank personnel signed affidavits that were untrue, or not based on the signor's actual knowledge. The pervasive use of false documentation violates Massachusetts law, harms borrowers and undermines the integrity of our public land records.

Third, the Complaint discusses how Ally and the other banks deceived and misrepresented to borrowers the process, requirements, and availability of loan modifications. Ally and the other banks have claimed to be engaged in widespread loan modifications aimed at preserving home ownership and avoiding *unnecessary* foreclosures. However, the Complaint alleges that Ally misled borrowers about their eligibility for loan modifications and the amount of relief available, failed to achieve a significant level of modifications, and often strung along borrowers for months in trial modifications that were ultimately rejected. In the first quarter of 2011, the Treasury Department deemed Ally as needing "moderate improvement" in its loan servicing program. The Complaint also notes that Ally routinely made misrepresentations to borrowers regarding pending foreclosure proceedings, including that while loan modification negotiations are occurring, foreclosure proceedings will not continue and/or that foreclosure auctions will be postponed.

The federal government should not tolerate Ally's serious misconduct and instead should hold them accountable for unlawful actions taken against borrowers. I respectfully request that your committees investigate and consider holding congressional hearings on the matter.

I am available to answer any questions you might have. I look forward to your reply.

Cordially,

Martha Coakley

Martha Coakley
Massachusetts Attorney General

cc: The Honorable John F. Kerry
The Honorable Scott Brown
The Honorable Michael E. Capuano
The Honorable Barney Frank
The Honorable William R. Keating
The Honorable Stephen F. Lynch
The Honorable Edward Markey
The Honorable James P. McGovern
The Honorable Richard Neal
The Honorable John Olver
The Honorable John F. Tierney
The Honorable Niki Tsongas