

**RESPONSE OF GOLDMAN SACHS BANK USA
TO PROTEST LETTER SUBMITTED BY FAIR FINANCE WATCH**

filed with

THE NEW YORK STATE BANKING DEPARTMENT

January 8, 2010

Goldman Sachs Bank USA ("GS Bank") hereby responds to the protest letter, dated December 27, 2009 (the "Protest Letter"), submitted to the New York State Banking Department (the "Department") by the Inner City Press's Fair Finance Watch ("FFW"). The Protest Letter relates to GS Bank's application, dated December 14, 2009 (the "Branch Application"), to the Department for approval to open a branch office at 200 West Street, New York, New York 10282-2198. GS Bank believes that the Protest Letter is without merit and that the Protest Letter and the articles it cites contain numerous factual inaccuracies. In addition, GS Bank respectfully submits that a public hearing is not warranted as it would not produce information that would not otherwise be available to the Department.

While GS Bank considers the Protest Letter to be without merit, set forth below is certain relevant information regarding the activities of Litton Loan Servicing LP ("Litton"), a wholly-owned subsidiary of GS Bank that is cited in the Protest Letter.

Litton -- Background

Litton, acquired in December 2007 by GS Bank's predecessor, Goldman Sachs Bank USA, a Utah industrial loan company ("GS Bank Utah"), has been a leader in providing multiple workout solutions to homeowners for more than 20 years. It has been, and continues to be, a proponent of thoughtful and practical loan modifications that provide affordability to struggling homeowners, consistent with its obligations to loan owners. Many of its early strategies serve as a basis for the many loss mitigation methods that the industry employs today.

Litton services loans originated by third parties that have been sold into various securitization trusts or are owned by investors as "whole loans." Litton services approximately \$56 billion in residential mortgage loans in the United States. The loans serviced by Litton are primarily subprime and the vast majority are owned by various securitization trusts. Litton does not originate or purchase any residential mortgage loans. As a servicer, Litton collects the monthly payments made by the borrower and allocates the payment to principal, interest, taxes and insurance. Litton also handles all questions from borrowers concerning their mortgage loans and mails monthly statements and year-end tax statements to the borrowers. Litton was founded in 1988 as a "special servicer," meaning that the business has been built on servicing delinquent loans. As a consequence, loan workouts and loan modifications have been a core competency of Litton since its founding.

Litton does not have any role, formal or otherwise, in the lending practices and credit review processes of any residential mortgage originator.

Litton's Compliance Program

Litton's regulatory compliance program is designed to assist management in identifying, measuring, monitoring and controlling compliance and related reputational risks. Litton management understands and recognizes the importance of ensuring compliance with the letter and spirit of all applicable federal and state laws and regulations, and demonstrating a commitment to the highest standards in this area. The management of Litton's compliance risk involves the participation and support of the Litton senior management team and GS Bank.

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[REDACTED]

[REDACTED]

HAMP

In the 12 months before the announcement of the Home Affordable Modification Program (“HAMP”) by the Obama administration in March 2009, Litton modified more than 44,000 loans, which represented about 30% of its serviced first-lien loans that were 60 days or more past due. On average, these modifications lowered customers’ monthly principal and interest payments by approximately 20%.

Between the announcement of HAMP and when Litton began participating in HAMP in August 2009, Litton extended trial modifications to more than 40,000 customers, which represented about 10% of the first-lien loans in Litton’s portfolio. These trial modifications were offered in accordance with the broad principles of HAMP. Since joining HAMP, Litton has offered more than 25,900 HAMP trial modifications. About 16,600 of the trial modifications are currently active under HAMP, meaning the customers have made their first payment under the trial period.

Since the announcement of HAMP, Litton has increased its customer care staff by approximately 20% and its loss mitigation staff by approximately 35%. Litton increased staff in these areas in 2008 due in part to greater customer demand for loan modifications and other loss mitigation alternatives. Customer care staff are employees that handle the bulk of in-bound telephone calls. Loss mitigation employees are those who only deal with customers in financial distress and discuss a range of workout options, including loan modifications.

In addition, since March 2009, Litton has developed and implemented a new tracking system and enhanced operational processes to ensure that it can expedite the handling of HAMP modification requests. Senior management and employees of Litton at all levels are fully engaged in the HAMP program, and they will continue to work on improvements to systems and processes to the extent necessary.

Prior Regulatory Reviews of Litton

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¹ [REDACTED]