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### **Statement by Secretary Henry M. Paulson, Jr. on New Private Sector Effort to Reach Homeowners Facing Foreclosure 2/12/ 2008**

Henry M. Paulson Jr.

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## U.S. DEPARTMENT OF THE TREASURY

## Press Center



## Statement by Secretary Henry M. Paulson, Jr. on New Private Sector Effort to Reach Homeowners Facing Foreclosure

2/12/2008

**Washington, DC-- Good morning. Thank you, Secretary Jackson, for joining us. We are going to provide an update on the HOPE NOW alliance's efforts to help struggling homeowners and – as Floyd Robinson of Bank of America, speaking on behalf of six leading mortgage servicers, will announce – an additional, important effort targeting those facing the greatest, immediate risk of losing their home.**

Good morning. Thank you, Secretary Jackson, for joining us. We are going to provide an update on the HOPE NOW alliance's efforts to help struggling homeowners and – as Floyd Robinson of Bank of America, speaking on behalf of six leading mortgage servicers, will announce – an additional, important effort targeting those facing the greatest, immediate risk of losing their home.

When the HOPE NOW alliance was announced in October, we made clear that this would be an evolving private sector-led effort to help minimize the impact of the housing downturn on homeowners, neighborhoods and the U.S. economy. It is just one of many steps which the Bush Administration is encouraging as we work through this difficult period. Tomorrow, President Bush will also sign into law an economic growth package that will, through rebate payments to over 130 million Americans and tax incentives to businesses, provide a temporary, meaningful boost to our economy as we weather the housing correction.

Today, six of the largest servicers, who represent 50 percent of the mortgage market, are announcing Project Lifeline, a targeted outreach to homeowners' 90-days or more delinquent that may lead to a "pause" in the foreclosure process. This is an important new initiative, targeted to reach not only subprime borrowers, but all 90-day delinquent homeowners nationwide with a step-by-step approach to find individual solutions to individual problems. We encourage all HOPE NOW servicers to adopt this new program.

Project Lifeline is aimed at homeowners who face a real risk of losing their home, but have not yet addressed the problem. Perhaps they are hoping to find a way to get current on their mortgage payments, or perhaps they don't think any solution is possible. For whatever reason they have not yet taken action; our hope is that today's announcement will reach them, and they will reach out immediately for help – especially now that the foreclosure process is upon them.

Of course, there will be homeowners who still take no action, and some will simply walk away from their mortgage – particularly those borrowers who put little or no money down and whose mortgage exceeds their home value. No program can bring every struggling borrower into the counseling and evaluation process, and we cannot help those who choose not to honor their obligations. But Project Lifeline has the potential to offer new solutions to responsible, able homeowners who want to keep their homes.

Overall, the HOPE NOW alliance is striving to help as many able but struggling homeowners as possible – whether prime, alt-a or subprime borrowers. Clearly there is much more work to do, but progress has been made since the formation of HOPE NOW just over four months ago.

In those four months:

- HOPE NOW membership has grown from 60 percent of the subprime mortgage servicer market to 94 percent; today, 25 servicers are represented.
- The nationwide hotline (888-995-HOPE) has been publicized and expanded; daily call volume has increased from 625 to 4,000.
- Servicers and investors are now providing funds for counseling; previously, only government and foundations provided funding.
- In the first three months, HOPE NOW servicers sent 775,000 letters to at-risk homeowners; early results show a 16 percent response rate. Homeowners who had previously avoided contact are now calling for help, and over 200,000 additional letters are being sent every month.
- Today, all HOPE NOW servicers are contacting subprime borrowers 120 days before their interest rate resets.
- In the second half of 2007, the industry assisted an estimated 869,000 homeowners and, coincident with the formation of HOPE NOW, the loan modification rate in the fourth quarter doubled over the rate in the third quarter.
- Secretary Jackson will also update us on FHA's progress in moving borrowers into affordable, long-term mortgages.

These results are before implementation of the American Securitization Forum's (ASF) fast-track re-financing and loan modification framework. Servicers began implementing that plan in January after resolving a number of important issues, including receiving accounting guidance from the SEC on FAS 140 on January 8.

We have a lot of work ahead of us; these efforts can succeed only if they are pursued industry wide. I am particularly focused on two important steps.

First, I am eager to see the ASF framework and Project Lifeline adopted by all servicers. If the ASF plan works the way it is intended to subprime borrowers who have made payments on-time at the initial rate and who want to stay in their homes but can't afford the higher rate should be fast-tracked into a modification – which in many cases will be an interest rate freeze of at least five years – or be fast-tracked into an affordable refinancing. Through Project Lifeline, those borrowers facing immediate foreclosure may be able to find individual solutions.

Second, I will be working closely with the HOPE NOW alliance on their plans for reporting progress. It is critical that they release monthly information, within 30 days of the end of the month, so that we can monitor progress and adapt as needed. Industry will be updating us throughout the month.

As I have said many times, the HOPE NOW alliance is an evolving effort. As our economy works through this difficult period, we will look for additional opportunities to try to avoid preventable foreclosures. However, none of these efforts are a silver bullet that will undo the excesses of the past years, nor are they designed to bail out real estate speculators or those who committed fraud during the mortgage process. These efforts are to help American families who both want to and can, through a loan modification or re-financing, stay in their homes.

I believe that our economy will continue to grow, although at a slower pace in the coming quarters, and that it remains fundamentally diverse and resilient.

I congratulate the HOPE NOW alliance for your flexibility and your hard work. You are helping our economy and our families, and you are also demonstrating the very resiliency which I spoke of a moment ago. Thank you.

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