

U.S. DEPARTMENT OF THE TREASURY

Press Center

**Comments by Secretary Paulson on Economy and Housing**

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Treasury Secretary Henry M. Paulson, Jr. will speak at the Economic Club of Chicago at 8:00 p.m. local time tonight. His remarks will cover a variety of topics, including the state of the economy, the housing markets and the credit markets, and policies we are pursuing in each area. Below are points he will make with regard to housing. These quotes can be attributed to him.

"While I expect the economy to continue to grow this year, the housing correction continues to pose the biggest downside risk. And we at Treasury are focused on the housing and mortgage markets."

"Let's put this in perspective: 93% of mortgages are paid on time. Less than 2% are in foreclosure."

"So while some in Washington are proposing big interventions, most of the proposals I've seen would do more harm than good. I'm not interested in bailing out investors, lenders and speculators. I'm focused on solutions targeted at struggling homeowners who want to keep their homes."

"This is a shared responsibility. If borrowers aren't willing to ask for help or respond to efforts to reach them, there is only so much that others can or should do on their behalf."

"Being "underwater" when you can afford your mortgage does not affect your ability to pay your mortgage. Homeowners who can afford their mortgage should honor their obligations. And nearly all do. Homeowners who can't afford their payments are the borrowers we are working to reach with affordable solutions. Homeowners who gambled in the housing market and viewed their purchase as a short term investment may choose to walk away. Those who do this are nothing more than speculators, and they are not the focus of our efforts."

"Falling home prices exacerbate foreclosures for those who can't afford their mortgage payment, either because of a change in ability to pay or because of an ARM reset – an income problem or a product problem. It is these borrowers who are faced with the prospects of foreclosure even when they want to remain in their homes. And that is where our efforts are aimed."

"We have a two pronged policy that focuses on these two sources of rising foreclosures: first, a stimulus package to support the economy and create jobs so that there will be fewer who will suffer income loss; second, a focused effort to help struggling homeowners who want to keep their homes."

"We encouraged mortgage industry participants to establish the HOPE NOW alliance to help all struggling borrowers. The alliance has placed a particular focus on subprime ARM borrowers. The member companies are already making progress -- the number of subprime modifications in the fourth quarter more than doubled over the third quarter."

"In January, the SEC signed off on a new protocol for streamlining some subprime borrowers into modifications and refinances. Servicers began to implement it then, some faster than others. I look forward to seeing the results for January soon. They will serve as a baseline for measuring the effectiveness of this effort going forward. I'll be examining the results closely – it's important to see that everyone who signed up for this protocol is following through on their commitment to implement it. I won't look kindly on free riders."

