U.S. DEPARTMENT OF THE TREASURY

Press Center

Secretary Paulson Remarks Following Hope Now Meeting

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Washington - Good afternoon. I've just met with the Hope Now alliance, to get an update on their efforts to reach struggling homeowners and avoid preventable foreclosures. Foreclosures are not only painful for homeowners, but are costly for servicers and investors, who in many cases are better off when they can modify or refinance a mortgage and keep the homeowner in his home. Early action by servicers and homeowners can preserve investor value and achieve sustainable results.

There are two parts to the effort to avoid foreclosures – first, making contact with a borrower who is in trouble, and second, determining if there is an affordable mortgage product for that borrower and taking action.

The members of this coalition are doing a lot of great work on both fronts. Most of the servicers have aggressive programs underway to reach borrowers who are having trouble paying their mortgages. But they are finding that the response rate isn't high enough. As the alliance is announcing today, they are producing a single letter on the Hope Now letterhead, providing at-risk borrowers a phone number to call for help. They are incorporating lessons each has learned from their individual mailing strategies, and they expect a stronger response from this unified approach, which could have a big impact in reaching homeowners who need help. Letters begin to go out on November 19th.

We in government also have a role to play – urging borrowers who receive this letter to act on it. I will do that, as will other senior Treasury officials, and I will urge members of Congress to highlight the letter to their constituents, so they know where they can find help if they need it.

The second piece of the puzzle, after making contact with struggling borrowers, is to determine if there is a mortgage they can afford. Many servicers today are already stepping up their efforts here as well. A few of the leading servicers have developed specific criteria for quickly assessing a borrower's financial situation, categorizing borrowers who qualify for loan modifications or refinancings and taking action.

Today members of the alliance told me they are developing methods, criteria and metrics that any industry participant can use to systematically evaluate borrowers' ability to pay resetting adjustable rate mortgages. For example, borrowers who are current on payments at the lower rate might be candidates for fast tracking into a refinance or a loan modification. Others who struggled even with payments at the teaser rate may not have these options.

I am calling on industry participants to review their existing practices and adopt specific criteria that will quickly identify borrowers who can keep their homes and follow up with a refinancing, a loan modification or other flexibility. This approach will be the most effective means of handling the expected volume of inquiries. And developing clear criteria now will allow us to gauge the success of these efforts in avoiding preventable foreclosures. I look forward to hearing an update from the alliance at the earliest possible time. I am pleased to see that more industry participants have joined the alliance and adopted their commitments. I encourage other industry participants to join this effort.

Just as the alliance members expect to be more successful in reaching troubled borrowers, I am confident that working together through Hope Now, counselors and servicers can streamline and systematize their processes to more quickly meet the needs of more borrowers.

I want to help as many able homeowners as possible. To do that requires continuous learning. We must deepen our understanding of how many borrowers can be helped and the most effective mortgage solutions for them. As I have said before, this housing and mortgage market decline is still unfolding. Resetting ARM rates are one factor which will play out over the next 18 months. Declining home values will also significantly affect default rates going forward. We've also learned that default rates are far higher on mortgages made in 2006 and 2007, due to lax underwriting standards. We have work to do to understand how many of these borrowers are able to afford their homes.

I view the housing and mortgage market decline as the most significant current risk to our economy. Even so, today's GDP numbers reinforce my belief that we have a healthy, diversified economy that will continue to grow. I am eager to work with Congress, with HUD, with mortgage counselors and with mortgage market participants to take all reasonable steps to avoid unnecessary foreclosures and minimize the impact of recent market turmoil on homeowners and on our economy.