

Castle Calls on Feds to Mitigate Foreclosure Rate -- November 30, 2007

Washington, DC-- Today, Delaware Congressman Michael N. Castle responded to reports that U.S. Treasury Secretary Henry Paulson may be negotiating an agreement with mortgage loan servicers to stem a surge in foreclosures by fixing interest rates on loans to subprime borrowers.

"I commend the Secretary for bringing a range of interests together to discuss options for addressing the growing housing crisis," Castle said. "To every extent possible, we should protect at-risk borrowers from losing their homes. By sitting down together, it is my hope to find a balance for protecting both consumers and industry."

Last week Congressman Castle acknowledged the aggressive approach taken in California by Governor Arnold Schwarzenegger for negotiating with mortgage servicers. Together, they agreed to freeze adjustable interest rates for some of the state's highest-risk borrowers. Under the arrangement, the four loan servicers agree to contact borrowers before their rates adjust and establish a streamlined process for handling loan modifications. They also will provide data on the loans they service so the state can track their changes.

Last week, Rep. Castle called on federal regulators to review the California agreement as it moves forward. "What Governor Schwarzenegger has done may be very helpful to thousands who face uncertainty in their current home mortgage situation," Castle said.

To address the growing mortgage crisis, Rep. Castle has introduced H.R. 4178, the Emergency Mortgage Loan Modification Act. Rep. Castle's bill would create a safe-harbor from legal liability for mortgage servicers that modify "at-risk" mortgage loans. This six-month window would help some homeowners avoid falling delinquent or into foreclosure by encouraging servicers to modify the terms of their loans.

On December 6, the House Committee on Financial Services will hold a hearing entitled "Accelerating Loan Modifications, Improving Foreclosure Prevention and Enhancing Enforcement." The hearing was scheduled in response to the introduction of H.R. 4178 and will examine recent proposals to improve the pace and volume of mortgage loan modifications.

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