

## Castle Sees Administration's Announcement as Good First Step -- December 6, 2007

Washington, DC-- Today Delaware Congressman Michael Castle (R-DE) outlined his legislation to address the growing mortgage crisis, H.R. 4178, the Emergency Mortgage Loan Modification Act at a Financial Services hearing.

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. The House Committee on Financial Services today held a hearing on Rep. Castle's proposal and how it would impact the Administration's plan to freeze sub prime interest rates.

The announcement by President Bush about an agreement reached between Treasury Secretary Henry Paulson and regulators that will freeze interest rates on certain loans for five years comes two weeks after Rep. Castle called on federal regulators to review the agreement made in California, which froze interest rates for certain sub prime loans. The deal is focused on borrowers who will fall behind once initially low rates reset to higher levels through July 2010.

"No one benefits from foreclosures: not the home-owner, the community or the industry," Rep. Castle said. "I am hopeful that the agreement will provide some relief to those homeowners in fear of losing their homes to growing sub prime interest rates; however, I believe my proposal will move the process along by protecting mortgage servicers from certain legal liability and encourage them to reformulate at-risk loans. Thousands of people are going to lose their homes in the next few years. These first steps are a part of a long-term effort."

At the hearing, U.S. Comptroller of the Currency John Dugan called Rep. Castle's proposal "A timely and important step to facilitate efforts by creditors and servicers to respond to the volume of potential loan modifications that may be needed. It has added to the momentum of achieving this goal."

### Administration Proposal:

#### President

Bush announced today that representatives of HOPE NOW, a group of lenders, loan servicers, mortgage counselors, and investors, have developed a plan under which up to 1.2 million homeowners could be eligible for assistance. Many individual homeowners feeling financial stress have "adjustable rate mortgages," which typically start with a lower interest rate and then reset to a higher rate after a few years. The HOPE NOW plan is designed to help subprime borrowers who can at least afford the current, starter rate on a subprime loan, but will not be able to make the higher payments once the interest rate goes up. HOPE NOW members have agreed on a set of new industry-wide standards to provide systematic relief to these borrowers in one of three ways:

1.  
Refinancing an existing loan into a new private mortgage;
  
2.  
Moving them into an FHASecure loan; or
  
3.  
Freezing their current interest rates for five years.

For more information about the President's proposal, log onto <http://www.whitehouse.gov/news/releases/2007/12/20071206-7.html>.

You can reach the Homeowner's Hope Hotline by calling 1-888-995-HOPE

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