

## CASTLE, KANJORSKI INTRODUCE LOAN MODIFICATION BILL TO CURB FORECLOSURES -- MARCH 12, 2008

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#### Legislation Increases Opportunities for Homeowners to Modify Mortgages

Washington, DC-- Congressmen Michael N. Castle (R-DE) and Paul Kanjorski (D-PA) introduced H.R. 5579, the Emergency Mortgage Loan Modification Act of 2008, to help address the growing mortgage crisis. Their legislation would provide a legal safe harbor for mortgage servicers making loan modifications, if those servicers meet certain conditions. This new bill is a substitute for H.R. 4178, the Emergency Loan Modification Act of 2007, which Congressman Castle introduced last November.

As some homeowners fall behind in payments, become delinquent and face foreclosure, it is possible to avoid foreclosure in some cases by reworking the payment terms of their loan. Investors, however, would have to accept a smaller return on their investment.

"I think it's in the best interests of at-risk homeowners and investors to work out payment terms that give a homeowner financial stability and the investor some return for their investment," Congressman Castle. "Without this legislation, I am concerned that lawsuits could bring modifications to a halt."

If enacted, this bill would give mortgage loan servicers greater confidence to work out new loan terms with struggling borrowers. Businesses that service mortgage loans fear legal action from investors that are the actual owners of mortgages. Investors are interested in maximizing the return on their investment in purchasing these mortgages from banks and other loan originators.

"I commend Congressman Castle for his persistent efforts to push loan modification legislation forward and I have been pleased to work with him on these ongoing endeavors," said Congressman Kanjorski. "The Emergency Mortgage Loan Modification Act generates a win-win situation for all parties and provides exactly the kind of

balanced approach to the mortgage crisis that we currently need. Borrowers receive more affordable mortgages because they have the opportunity to modify loans, avoid foreclosure, and keep their homes. Servicers benefit because they help investors by modifying faulty loans without facing potential lawsuits. And, investors in mortgage-backed securities, as a whole, win because their investments' values increase due to fewer expected mortgage defaults. Importantly, the bill accomplishes all of this without violating private contracts.

Chairman Kanjorski and Congressman Castle have already taken many steps to address mortgage servicing problems in the 110th Congress, as well as in previous Congresses. In November, the U.S. House of Representatives passed H.R. 3915, the Mortgage Reform and Anti-Predatory Lending Act. Currently pending in the Senate, this bill includes Chairman Kanjorski's Escrow, Appraisal, and Mortgage Servicing Improvements Act. Among other aspects, the bipartisan legislation enhances mortgage servicing including mandating swifter response times to borrower inquiries when difficulties arise. The legislation would also increase penalties for mortgage servicers who do not abide by these terms in order to prevent more abuses.

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