

## HOUSE FINANCIAL SERVICE COMMITTEE PASSES CASTLE BILL TO ENCOURAGE MORTGAGE LOAN MODIFICATIONS -- 4/23

Washington, DC - Today, the Financial Services Committee passed H.R. 5579, the Emergency Mortgage Loan Modification Act, legislation introduced by Rep. Michael N. Castle (R-DE). This legislation would provide a legal safe harbor for mortgage servicers making certain loan modifications. The bill now awaits consideration by the full House of Representatives.

As homeowners feel the threat of foreclosure and increased mortgage payments, many mortgage loan servicers have the opportunity to modify the mortgage rates. The home loans originated by banks and other mortgage retailers are then bundled and sold to investors as new securities. These securities are overseen by mortgage service companies -- which could be discouraged from making modifications of the loan for fear of lawsuits from their investors. While mortgage service companies are able to rewrite the circumstances of the loan, investors could be displeased and sue.

In most instances, changes to complex or adjustable mortgage terms can keep a family in their home while yielding a greater rate of return for investors than a foreclosure. Many agree that the small legal clarification presented in H.R. 5579 would protect mortgage modification efforts from legal exposure while balancing the interests of investors and help relieve some of the immediate pressure from the current market volatility. On April 4, 2008, Senator Hillary Clinton (D-NY) introduced a Senate version of this legal liability legislation.

"The plan provides legal protection for the home loan servicers that help troubled borrowers avoid foreclosure," said Rep. Castle. "Homeowners and investors alike could benefit by finding terms and conditions that would allow at-risk homeowners the opportunity to stay in their homes, while providing investors some rate of return on their investments."

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