

## Subprime: 'HopeNow' may help only so much

Contributed by Everyloan Editor  
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New group of lenders, counselors and investors aims to streamline loan 'workouts.'

By Jeanne Sahadi, CNNMoney.com senior writer

NEW YORK (CNNMoney.com) -- Efforts to help subprime borrowers have been disjointed and inconsistent, and a new mortgage industry alliance formed this week is trying to remedy that. But some who counsel distressed homeowners say the alliance won't resolve key issues.

The alliance, called HopeNow, was announced by Treasury Secretary Henry Paulson and counts as members some of the largest lenders and servicers that collect payments, a handful of housing counselor networks, and a group representing investors who hold mortgage debt.

It is intended to coordinate efforts between servicers and counselors to provide "workouts," which can include lowering the interest rate on a loan, spreading out past-due payments over the life of the loan or a short-term repayment plan.

To date, getting resolution on loan workouts has been difficult in part because of a lack of communication. The alliance members have agreed to provide dedicated teams to rectify that, a move borrower advocates commend.

But some of the advocates say the alliance shows signs of being more talk than action, especially given that their "best-practices" guidelines are still being debated.

"[It's] a smokescreen for not doing anything. It's a PR gimmick. Having a process without a realistic opportunity for results is setting the homeowner up for failure," said Bruce Marks, founder and CEO of the Neighborhood Assistance Corporation of America (NACA).

Marks and Michael Shea, housing director of the Association of Community Organizations for Reform Now (ACORN), said they are highly skeptical because of the reluctance they've seen among many of the alliance members to modify loans to levels affordable to borrowers. In addition, they say, lenders have relied on temporary concessions that potentially just postpone rather than prevent foreclosure.

Marks and Shea support a suggestion made by FDIC Chairman Sheila Bair last week. She called on servicers to permanently freeze interest rates on subprime adjustable-rate mortgages (ARMs) for those homeowners who are current on their payments and whose rates have yet to reset. Part of her reasoning: evaluating loans on a case-by-case basis is taking too long, and time is of the essence.

Roughly 1.3 million subprime ARMs are due for a rate reset between now and the end of 2008, according to data from First American Loan Performance. Monthly foreclosure filings are nearly double what they were one year ago.

While one of the alliance's goals is to improve turnaround time on case evaluations by streamlining the process, both Treasury Secretary Henry Paulson and the American Securitization Forum (ASF), an alliance member which represents mortgage investors, have stated that the alliance doesn't support across-the-board modifications.

"Every situation is different. ... It's very difficult to say we'll have a one-size-fits-all solution," said Paul Leonard, vice president for government affairs for the Housing Policy Council, which is organizing the alliance. "We're not going to dictate how cases should be solved."

"Our goal is to reach out to as many people as possible and have positive outcomes," said Leonard.

Those positive outcomes include but aren't limited to loan modifications, Leonard said. They also would include everything from setting up temporary repayment plans to having a short sale, when servicers determine that no matter how generous a concession is made the borrower still wouldn't be able to afford the home. In a short sale, the homeowner sells the home and if the sales price doesn't cover the remaining balance on the mortgage, the bank agrees to forgive that debt.

It's not clear whether all counseling agencies helping homeowners, not just those who are members of the alliance, will be given access to the dedicated loss-mitigation teams the alliance members are setting up.

Leonard noted that how to make that process easier for everyone will be a focus of the alliance's working group discussion.