

Effective state and local responses to the foreclosure crisis

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Scope of the crisis

- More homes foreclosed in 2007 than in any year since the Great Depression
 - 10% of US households owe more on loan than home is worth (30% of subprime)
 - 90% of Option ARM borrowers experienced negative amortization in 2007
 - 6% delinquency rate nationwide
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Key challenges

- Modifications are terribly slow: 8 in 10 borrowers not on track for loss mitigation
 - Foreclosure process is snowballing problem
 - Need to rebuild a regulatory structure
 - Federal vs. state regulation and preemption
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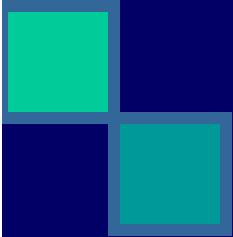



Immediate Solutions to Stem Foreclosures

- Moratorium on foreclosures/sheriff's sales
 - Massive counseling intervention, outreach
 - Mandatory loss mitigation
 - Automatic 3rd party counselor notification
 - Protect tenants, require upkeep
 - Regulate servicers, require data
 - Ban foreclosure rescue scams
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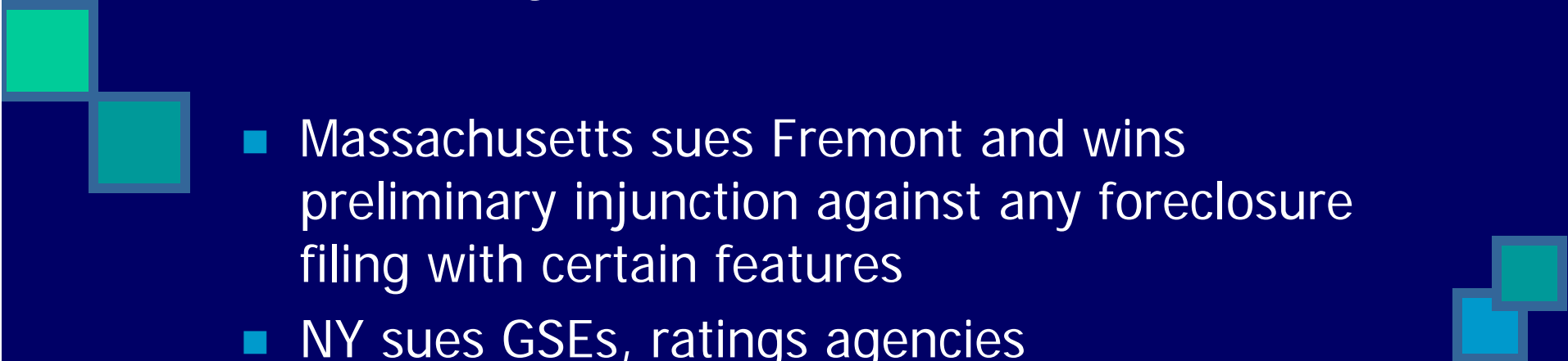


Eliminate Predatory Lending

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- Cover all loans vs just high-cost loans
 - Fiduciary duty for brokers, no steering
 - Borrower's ability to pay over full term; 45%
 - Ban flipping/churning and neg am
 - Ban no-doc or stated-income loans
 - Ban Pre-Payment Penalties, YSPs
 - Require counseling, eliminate credit insurance
 - Lender duties and assignee liability
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Attorneys General take action

- Massachusetts sues Fremont and wins preliminary injunction against any foreclosure filing with certain features
 - NY sues GSEs, ratings agencies
 - Lots of suits against individual mortgage companies
 - State Foreclosure Prevention Working Group
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Some strategies at the local level

- Use Trust Fund, CDBG to help some refinance
 - Require upkeep, fine banks for REOs
 - Local moratoriums and actions on sheriffs
 - Task Force to highlight concerns and force industry to dialogue
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What we learned in Philadelphia

- Local levers of power
 - Standard of reasonableness creates enormous pressure for modifications
 - 80-90% of participants receive mods
 - Outreach increases participation
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