

NEWS RELEASE

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Foreclosure Prevention Efforts Falling Short of Need, State Officials Say
State Foreclosure Prevention Working Group issues second report on performance of subprime mortgage servicing companies.

RALEIGH— Industry measures to keep homeowners out of foreclosure are barely keeping pace with the rising rate of homeowners in trouble, according to a national report issued today by state officials, including the N.C. Office of the Commissioner of Banks and the N.C. Attorney General's Office. The number of borrowers in loss mitigation has increased, the officials said, but those gains have been matched by an increasing level of delinquent loans. "Servicers have worked hard to reduce unnecessary foreclosures, but on-going efforts have not matched the numbers of homeowners across the nation that are having trouble paying their mortgage loan," said Deputy Commissioner of Banks Mark Pearce. "While North Carolina has fared better than most other states, we need to redouble our efforts to avoid preventable foreclosures."

The State Foreclosure Prevention Working Group, consisting of state attorneys general and banking regulators working to prevent home foreclosures, issued a report today concluding that current efforts are falling far short of the need to address the foreclosure crisis and prevent millions of unnecessary foreclosures.

The Group on Tuesday issued its second "Analysis of Subprime Mortgage Servicing Performance," based on data collected from subprime mortgage servicers for the period October 2007 through January 2008. The Group's first report, issued February 7, and the new report are available at www.csbs.org.

The Group reported no "meaningful improvement in foreclosure prevention outcomes," despite widely-publicized campaigns to encourage homeowners in trouble to seek help, and initiatives by servicers to "fast-track" loan modifications. "In major respects, the subprime servicing data for January 2008 is nearly *unchanged* from October 2007," according to the new report.

Major findings of the State Foreclosure Prevention Working Group included:

- **Seven out of ten seriously delinquent borrowers are still not on track for any loss-mitigation outcome.** The number of borrowers in loss mitigation has increased, but it has been matched by an increasing level of delinquent loans – the relative percentage has remained about the same. "Given creative service outreach efforts and increased public awareness of the HOPE Hotline during this time period [Oct.-Jan.], this large gap suggests a more systemic failure of servicer capacity to work out loans," the report said.

- **Data suggest that servicers' loss-mitigation departments are severely strained in managing current workload.** The report noted that almost two-thirds of all loss-mitigation efforts started are not completed in the following month. "We are concerned that servicers overall are not able to manage the sheer numbers of delinquent loans," the report said. Data suggest that "the burgeoning numbers of delinquent loans that do not receive loss-mitigation attention are clogging up the system on their way to foreclosure," the report said. "We fear this will translate to increased levels of vacant foreclosed homes that will further depress property values and increase burdens on government services."
- **Homeowners who receive loss-mitigation help are most likely to receive some form of loan modification.** The Group said such modifications are a solution that offers better long-term prospects for successful resolution of problem loans. Many servicers are replacing their use of repayment plans in favor of loan modifications.

The Group said it believes "more robust approaches to avoid preventable foreclosures are necessary."

The Group said servicers, investors and state officials should work together to:

- **Develop a more systematic loan work-out system to replace the intensive, individual, "hands-on" loss-mitigation approach.** "Initial efforts to develop systemic approaches are far too limited to make a difference in preventable foreclosures," the report said. "Without a systematic approach, we see little likelihood that ongoing efforts will make a serious dent in the level of unnecessary foreclosures." The Group said it "will continue to work with servicers to promote systematic solutions to modify loans in a more streamlined and efficient manner."
- **Slow down the foreclosure process to allow for more work-outs.** "Targeted efforts to slow down subprime foreclosures may give homeowners and servicers more time to find solutions to avoid foreclosure," the report said. Many states have enacted or are considering such measures, the report noted.

The Group also encouraged the federal government to develop innovative approaches that recognize the extent and scale of the foreclosure crisis.

The State Foreclosure Prevention Working Group began as a cooperative dialogue of state officials and mortgage servicers in September 2007. Since October 2007, the Group has been collecting data from the largest subprime mortgage servicers, with 13 of the largest 20 servicers participating, representing approximately 60 percent of subprime mortgage loans serviced.

North Carolina Faring Better than Many States

According to a recent report by RealtyTrac, North Carolina is faring better than other states in regard to foreclosures. North Carolina is ranked 26th in the nation in rate of foreclosure. In 2007, foreclosure starts increased by 10%, and NCCOB estimates foreclosure starts to increase by 10-20% in 2008, based on current trends.

To address rising foreclosures, NCCOB has helped develop the NC HOPE Hotline partnership to connect North Carolina homeowners to housing counselors to find ways to save their homes from foreclosures. Since the announcement of the NC HOPE Hotline partnership, calls from North Carolinians to the HOPE Hotline (888-995-HOPE) have more than doubled. More information about the hotline initiative, foreclosure trends in North Carolina, and options for

homeowners facing foreclosure may be found at www.ncforeclosurehelp.org, a website developed by NCCOB to provide the public with information on foreclosures in the state.

NCCOB currently regulates state-chartered banks, thrifts, savings and loans, trust companies, and more than 1,600 mortgage lenders/brokers and 15,000 loan officers, as well as numerous consumer finance companies, check-cashers, and other financial services.

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