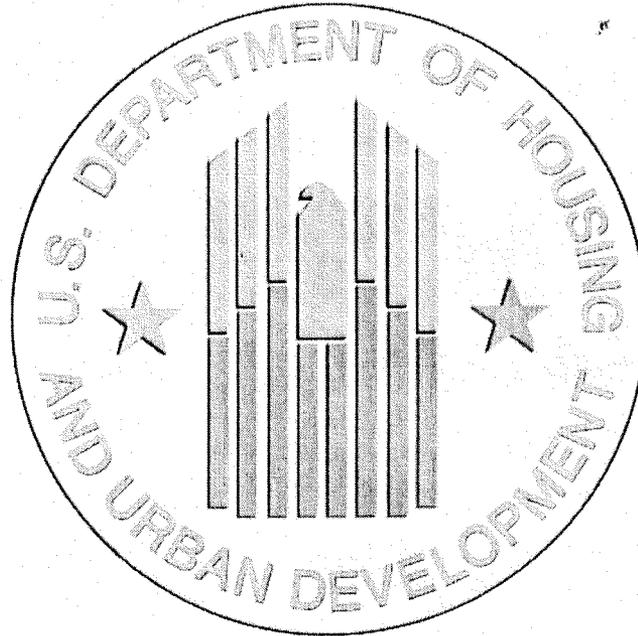


STATEMENT OF BRIAN D. MONTGOMERY

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United States House of Representatives



“HOPE NOW”

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I want to thank you Chairman Frank, Ranking Member Bachus, and distinguished members of the Committee for the opportunity to speak today about the HOPE NOW Alliance.

On October 10, HUD Secretary Alphonso Jackson and Treasury Secretary Hank Paulson announced an unprecedented alliance of the nation's largest mortgage servicers, housing counselors and real estate investors all committed to one common goal – to help as many homeowners as possible avoid foreclosure and retain homeownership.

Homeownership and, more importantly, homeownership retention have long been a priority for FHA. We believe borrowers with FHA-insured mortgages have unparalleled access to loss mitigation alternatives that help them weather personal financial crises and reinstate delinquent loans. In Fiscal Year 2007, FHA provided loss mitigation support to 91,000 borrowers, 86,500 of whom were able to keep their homes.

While not every one of these borrowers will be successful in the long term, historically 89 percent of all borrowers who benefit from loss mitigation still have active loans two years after the assistance. This success is responsible in part for a reduction in both the number and percentage of FHA foreclosures from a high of 1.74 percent in FY 2004 to 1.45 percent in FY 2007.

Throughout this year, HUD staff and senior officials nationwide have sponsored or participated in more than 125 separate homeownership retention events including fairs, targeted mailings, and joint task forces that reached a combined audience of 25,000. For example, on November 15, Secretary Jackson and HUD's Philadelphia Homeownership Center is hosting a Homeownership Clinic in Detroit with the assistance of the Detroit HOPE Coalition (a coalition of most of the same lenders that are part of the HOPE NOW Alliance), Fannie Mae, Freddie Mac, and nonprofits such as the Mission of Peace. At this clinic, we will have workshops for:

- 1) Delinquent borrowers trying to save their homes;
- 2) Borrowers of high cost loans seeking refinancing; and
- 3) First-time homebuyers hoping to avoid the mistakes of some of their predecessors.

In his remarks at the press conference announcing the HOPE NOW Alliance, Secretary Jackson commented on the dramatic rise in single family foreclosure starts fueled in great part by the proliferation of subprime loan products including hybrid ARMs that often include low teaser rates, interest-only features, stated (rather than documented) income underwriting, and negative amortization. More than two million subprime ARMs are expected to reset to higher interest rates by the end of 2008 and many of those borrowers, unable to afford the higher payments, will be forced into foreclosure unless the industry takes immediate and aggressive action to provide alternatives.

In September, FHA announced one such alternative. *FHASecure* is one of our refinance options designed specifically for conventional and subprime borrowers who default on their mortgages solely because they can no longer afford the payments on their ARM loan after the interest resets to a higher rate. Though still a very new program, 540 FHA-approved lenders are already using *FHASecure* to rescue delinquent borrowers from the potential loss of their homes. Since September, more than 70,000 conventional borrowers have applied for *FHASecure* refinance loans.

Current trends suggest that this year there will be over one million foreclosure starts of all mortgages. If the industry works together, it is possible to reinstate or refinance many of these loans, but only if borrowers respond to offers of assistance. Industry sources report that more than 40 percent of delinquent borrowers fail to respond to any contact from their lender until it is too late. HUD and Treasury, at the direction of the White House, have encouraged companies and organizations that historically do not share information, business practices or resources to join together to create a unified, coordinated plan to reach and support these delinquent homeowners.

The HOPE NOW Alliance currently includes 16 of the largest conventional and subprime mortgage servicers (collectively representing more than 60 percent of all single family mortgage loans), five HUD-approved nationwide housing and credit counseling agencies, Freddie Mac and Fannie Mae, and many industry trade organizations including the Mortgage Bankers Association, the Financial Services Roundtable, and the American Securitization Forum. These Alliance partners are contributing staff resources and millions of dollars toward a number of specific goals that include among other objectives:

- Developing and funding a nationwide advertising campaign to encourage delinquent borrowers to seek help through the 888-995-HOPE network of HUD approved housing counselors.
- Hiring and training hundreds of new housing and credit counselors affiliated with the HOPE NOW network in order to meet the increased demand for services.
- Adopting a standardized servicer-counselor communication model to ensure that borrowers who contact the network get consistent, accurate and timely access to workout strategies regardless of who their lender or investor is.
- Finding a sustainable funding source to pay for both telephone and face-to-face default counseling.
- Encouraging the industry (both lenders and servicers) to adopt systematic protocols for identifying sustainable mortgage products for eligible borrowers.
- Agreeing on a standard set of metrics and reports to quantify both the extent of the default and foreclosure problem and the results achieved through the Alliance.

All of these actions are underway. Some can be implemented quickly, others will take several months. The 888-995-HOPE line is up and operating with 122 experienced counselors nationwide; another 50 are currently being trained and more are being recruited. Just this week, Secretaries Jackson and Paulson, endorsed the first major deliverable of HOPE NOW, a nationwide mailing of HOPE NOW letters to at-risk borrowers. The Alliance's technology group is completing development of a web-based loan work out tool that will provide a common decision platform for both servicers and counselors that will significantly streamline default resolution. This tool will be available for general use early in 2008.

Senior staff from both HUD and Treasury are participating in Alliance working groups and working behind the scenes to broaden participation to include all major lenders and a greater number of qualified housing counseling organizations. This is a multi-year project and we remain committed to ensuring that the HOPE NOW Alliance lives up to the promise of delivering significant and measurable results for families struggling to hold on to their piece of the American dream.

Thank you for your time this morning. I look forward to your questions.