

Casey warns lenders in mortgage crisis

Saturday, January 19, 2008

By Rich Lord, Pittsburgh Post-Gazette

U.S. Sen. Bob Casey came bearing hope for those afflicted by the foreclosure crisis yesterday, and a warning to some of those who precipitated it.

"This subprime crisis has enveloped so many families in so many communities," he said at a press conference at the Downtown offices of Neighborhood Housing Services. "We've got to have some short-term action," which includes funding for financial counseling for borrowers facing foreclosure.

And long-term? "We have to be a lot more aggressive with players in the market that haven't been regulated before," he said, including mortgage brokers and those who invest in risky loans.

Neighborhood Housing Services is one of the agencies expected to tap a \$180 million federal appropriation for foreclosure prevention counseling. The agency has seen a 20 to 25 percent increase in demand for its foreclosure counseling services in a year, and expects much more with the recent start of the national mortgage help hotline at 1-888-995-HOPE. It will spend some of its sliver of the federal money on hiring another foreclosure prevention counselor.

Current counselor Carolyn Thomas said the organization can help a troubled borrower put together a budget, decide whether it's reasonable to try to keep the home and then apply for state help and negotiate with the lender to improve loan terms.

"We can contact the mortgage company and try to work out an agreement," she said, sometimes moving late payments to the end of the loan term or refinancing.

More than half of families going through foreclosure never reach out for help, according to Neighborhood Housing Services. The organization is trying to work with Allegheny County and the City of Pittsburgh to get the word out on counseling.

Rising interest rates on adjustable-rate loans, plus a slump in housing values, have put many overextended borrowers nationally into delinquency or foreclosure. The problems are most acute in the subprime market, where borrowers with imperfect credit can get pricier loans. In the third quarter of last year, Allegheny County saw a record 848 foreclosures, according to RealSTATS, a South Side-based real estate information agency.

"Some of these brokers were unregulated cowboys out there, doing whatever they wanted for years," said Mr. Casey. He is co-sponsoring several bills that would make mortgage brokers responsible to borrowers and force them to escrow taxes and insurance on some loans, plus ban some tricky loan terms.

The proposed Homeownership Preservation and Protection Act, co-sponsored by the senator, would give borrowers limited rights to sue big investors who buy up subprime loans. That has upset organizations such as the Mortgage Bankers Association.

Rich Lord can be reached at rlord@post-gazette.com or 412-263-1542.
First published on January 19, 2008 at 12:00 am
<http://www.post-gazette.com/pg/08019/850529-85.stm>