Remarks by
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Thanks Stacey, and thanks to Ken Wade and all those who helped bring us together today for this very important and timely symposium.

I have to say that I have been impressed by every aspect of my involvement with NeighborWorks America and its affiliates since I became a member of its Board two years ago. And I want to recognize my fellow Board members here today and the excellent leadership of Tom Curry as the current chair of that Board.

This morning, you heard a great deal about why foreclosures are increasing and the negative effects they've had on families and communities across the country. The Mortgage Bankers Association reported last week that nearly 19 percent of all subprime mortgage loans, or 1.1 million mortgages, were either delinquent by more than 30 days or in foreclosure – up from 17.9 percent at the end of last year. While there is some disagreement on just how big the problem really is, everyone seems to agree that it's big, and it's getting bigger.

With this rising tide, foreclosures present many challenges for all of us in our respective roles as nonprofits; as lenders and other private market participants; and as regulators. So today I want to talk about some of the ways that each of us in these roles is addressing the issues surrounding rising mortgage defaults. Let's begin with efforts by housing groups, and specifically with several important initiatives of NeighborWorks America.

As Ken Wade described this morning, NeighborWorks has had many successes in creating and sustaining affordable homeownership and community revitalization. Since 1993, its Campaign for Home Ownership has advanced that goal through a continuum of pre- and post-purchase counseling and training – what we call full-cycle lending.

With increasing numbers of foreclosures on the horizon, NeighborWorks created the Center for Foreclosure Solutions in 2005 as a natural extension of the Campaign's work to educate homebuyers and new owners. The Center and its foreclosure prevention coalitions have helped many borrowers negotiate loan workouts with their lenders. Local nonprofit housing counseling groups then work with these borrowers to help ensure that they have the personal finance and money management tools to meet their restructured obligations under these workout plans.

The good news is that when these plans are successful, the borrower, the community, and the lender all gain: The borrower is able to avert the loss of his or her home; the community avoids lost tax revenues and the cost of policing vacant, foreclosed properties; and the lender is able to avoid the extreme losses caused by foreclosure--and hopefully, keep a valued customer.

At the OCC, we are just about to release a report called "Foreclosure Prevention: Improving Contact with Borrowers." This report finds that banks are actively seeking partnerships with nonprofit organizations that can help contact delinquent borrowers about their foreclosure avoidance options. One of the most significant factors we discovered during our research was this: early contact with lenders and trusted advisors to develop alternatives to foreclosure increases the likelihood that troubled borrowers will continue to service their restructured loans and stay in their homes.

Barry Wides, the OCC's Deputy Comptroller for Community Affairs, will tell you more this afternoon about our report, which we are releasing tomorrow. But one of its fundamental points is, again, that the first, all-important step for the delinquent borrower is making contact with someone who can help.

On that note, I am now pleased to present two of the public service announcements that form the centerpiece of NeighborWorks America's National Foreclosure Prevention Campaign. As Ken Wade announced this morning, these public service announcements were developed by NeighborWorks America in partnership with the Ad Council to get more delinquent borrowers to make that contact. [Please roll the ads.]

These messages depict a troubling situation that is being played out hundreds of times each day across America – delinquent borrowers, reluctant to call their lenders because they are too embarrassed or afraid to ask anyone for help, sliding into foreclosure. Many have lost hope and do not know what to do.

Lenders report that in half of all foreclosures, borrowers do not make contact with them. Yet, more than one-third of those who reach out for assistance are successful in finding alternatives to foreclosure. In fact, a study by Freddie Mac found that 61 percent of late-paying borrowers said they were unaware of workout options, but 92 percent also said they would have talked to their servicers had they known these options were available.

All of this means that many of the 1.26 million borrowers who entered foreclosure last year might have been helped if they had acted earlier to contact their lender, or consult a trusted housing counselor. Conversely, as these ads so powerfully underscore, doing nothing is the worst thing a delinquent borrower can do. And the longer the delay, the worse it gets. The record shows that the early stages of mortgage delinquency are the most crucial. The sooner borrowers reach out for help, the more options they have, and the more likely foreclosure may be avoided.

That's why the NeighborWorks National Foreclosure Prevention Campaign is so important, and why these Ad Council announcements will be concentrated in geographic areas where delinquencies are rising. These ads encourage homeowners to call 1-888-995 HOPE for good reason – the toll-free hotline is staffed 24/7 by 85 qualified housing counselors from five counseling agencies approved by the Department of Housing and Urban Development. This free counseling is available in both English and Spanish, and responders provide callers with direct links to their lenders or NeighborWorks organizations for face-to-face counseling as appropriate.

The hotline has already taken over 40,000 calls, resulting in counseling for nearly 20,000 homeowners. Call volume now averages over 500 calls a day, and the hotline's manager, the Homeownership Preservation Foundation, is gearing up to handle the additional calls that the Ad Council campaign will certainly generate. Colleen Hernandez from the Foundation will be talking more about the hotline this afternoon.

In addition to its hotline efforts, NeighborWorks America has been working with lenders and housing industry partners to develop a set of uniformly high standards called "National Industry Standards for Homeownership Education and Counseling." These newly released standards are guidelines that industry professionals are encouraged to adopt and incorporate into everyday practice, and indeed NeighborWorks will continue to staff an Advisory Council formed in part to encourage the wide embrace of these voluntary standards. We hope these efforts will play a vital role in advancing the counseling profession and helping borrowers avoid the problems and hardships created by taking out inappropriate loans.

Finally, local NeighborWorks organizations have also used novel approaches to match borrowers with appropriate loan products. Two groups that I visited recently in Washington, D.C. and New York City demonstrate what can be done through such innovative partnerships and financial commitments. These organizations are setting up nonprofit mortgage broker subsidiaries to help borrowers select appropriate loan products and avoid the risks of high-cost alternatives. These initiatives will make it possible for many new borrowers and those unable to afford their current mortgages to find low-fee, fixed-rate loans.

Now let me turn to the second group I'd like to talk about today – lenders and other private mortgage participants. Many have joined the initiatives I've just described, and many are stepping up to support the growing number of local foreclosure prevention partnerships with other neighborhood reinvestment and consumer protection groups. A number of financial institutions have also volunteered their time to serve in local NeighborWorks organizations and on housing counseling agency boards.

As for national banks, they too, have recognized the importance of these efforts – even though they have played a relatively smaller role in the subprime mortgage market than other lenders. Indeed, some national banks made the initial financial commitments that helped establish the Center for Foreclosure Solutions. Fannie Mae and Freddie Mac also have made direct financial commitments to foreclosure prevention, and announced that they will increase their efforts to help subprime borrowers make the transition to safer and more affordable loan products. And other regulated banking organizations have made similar efforts.

I wish the same were true of more of the non-federally regulated lenders and loan servicers that have fueled the rapid growth of the subprime market – and profited handsomely from it. It could make a real difference if these institutions made similar contributions to assist borrowers to avoid foreclosures wherever feasible.

Now let me turn to the third group I wanted to talk about, the OCC and the other federal bank regulators. Working together, we recently released a statement on banks working with mortgage borrowers to avoid foreclosure, which recognizes the benefits provided by reputable counseling organizations. We also said that banks will not be penalized for working responsibly with delinquent borrowers, within the limits of safety and soundness, to find reasonable workout arrangements rather than foreclosing on their loans immediately.

In fact, we have encouraged banks to think creatively about using activities eligible for credit under the Community Reinvestment Act to pursue workable solutions for rising delinquencies and defaults. Specifically, we have advised national banks that CRA credit is available for participation in foreclosure avoidance programs targeted to low- and moderate-income borrowers in the banks' assessment areas.

Our job as bank regulators is to make sure that the institutions we supervise understand and are capable of managing the risks associated with particular underwriting choices, and that they are treating their customers fairly. Our respective community affairs officers confer regularly with NeighborWorks and its industry partners to identify issues and publicize best practices through our publications, conferences, and information alerts.

In fact, we are currently conducting a series of six outreach sessions in the West targeted to bankers, mortgage lenders and servicers, government representatives and housing counselors, and advocates wanting to do more. These sessions are designed to help participants design strategies for foreclosure prevention, garner the resources necessary to combat the foreclosure problem, and promote financial literacy at the community level.

I am also pleased to say that by the end of the summer, you'll be able to go to the OCC's new consumer focused Internet site - www.helpwithmybank.gov - to find answers to frequently asked questions and to find out how to contact other regulators. And we plan to add a Spanish language version of the site next year.

Finally, the federal banking agencies have issued important guidance on mortgage practices. Indeed, we are very, very close to finalizing guidance on subprime mortgage lending and disclosure standards, which I believe will make a real difference once issued. And, in order to maximize the scope and impact of this guidance, we have called upon our fellow state and local regulators to join us in establishing similar guidance for the many state-regulated subprime lenders that have no federal regulation.

Through all of these endeavors, we have learned that it is not enough to achieve homeownership. We – all of us operating in our respective roles – have to work hard to sustain homeownership. And I am confident that NeighborWorks America and its allies will continue to lead the way.

Thank you again for allowing me to be with you today.