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US Administration, Lenders Unveil New Mortgage Plan

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WASHINGTON -(Dow Jones)- The Bush administration and six major mortgage lenders unveiled their latest response to the ongoing turmoil in the housing market on Tuesday, offering to "pause" the foreclosure process for seriously troubled homeowners.

But though the announcement of "Project Lifeline" was couched in tones of optimism, officials cautioned that it is only an incremental step that would not guarantee help for every homeowner facing the loss of their home.

"Project Lifeline is a valuable response...for people on the brink of the final steps in foreclosure," Housing and Urban Development Secretary Alphonso Jackson said in prepared remarks.

He cautioned, however, that it may not be enough.

"One action alone will not solve every problem in the housing market," Jackson said. "Rather, a series of incremental steps provide the best chance, maybe the only chance, for serious, on-point solutions that directly address the complex problem we face."

The new project involves a promise by top lenders to proactively contact homeowners who are 90 days or more late on their mortgage payments. Those borrowers would be sent a letter giving them a step-by-step approach that "may enable them to 'pause' their foreclosure for 30 days while potential loan modification is evaluated," according to plan overview documents.

Project Lifeline would include all kinds of home loans, rather than simply subprime mortgages. It is in addition to a program announced by the Bush administration and lending industry in December to freeze interest rates at current levels on qualifying subprime loans.

Bank of America Corp. (BAC), Citigroup Inc. (C), Countrywide Financial Corp. (CFC), JPMorgan Chase & Co. (JPM), Washington Mutual Inc. (WM) and Wells Fargo & Co. (WFC) are participating in the program. The same banks are part of the administration's Hope Now Alliance.

Faith Schwartz, executive director of Hope Now, said the hope is that other members of the alliance would follow suit with the six firms already involved in Project Lifeline.

"We are confident more loan servicers will adopt this effort, and I encourage all Hope Now Alliance members to do so," Schwartz said in prepared remarks.

White House spokeswoman Dana Perino said the White House is optimistic about the program.

"No single program will solve all the problems in the housing market, but the president believes these efforts will help us get through this rough patch in our economy," Perino said.