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FDIC hopes to save 1.5 million from foreclosure

The nation's Federal Deposit Insurance Corp. declared Friday it anticipates helping about 1.5 million mortgages across the country avoid foreclosure by agreeing to share any losses with mortgage companies that agree to refinance certain home loans.

The new plan developed by the FDIC would cost the government about \$24.4 billion; which would not be on top of the already designated \$700 billion, but draw directly from it.

The FDIC released a statement saying, "Although foreclosures are costly to lenders, borrowers and communities, the pace of loan modifications continues to be extremely slow. It is imperative to provide incentives to achieve a sufficient scale in loan modifications to stem the reductions in housing prices and rising foreclosures."

Incentives would include paying servicers \$1,000 to envelop expenses incurred for each loan modified to the required standards, and the FDIC would promise to share up to 50 percent of losses incurred if a modified loan defaults.

Borrowers considered to be eligible would consist of those who have failed to make at least two monthly payments on loans for homes they live in. Servicers would in turn be expected to lower those borrowers' monthly payments to about 31 percent of the borrowers' monthly income.

Treasury Interim Assistant Secretary Neel Kashkari said in testimony prepared for delivery to a U.S. House of Representatives committee. "We continue to aggressively examine strategies to mitigate foreclosures and maximize loan modifications, which are a key part of working through the necessary housing correction and maintaining the strength of our communities," as reported by Reuters.com.