

Press Release

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Five Banks Launch Mortgage Relief Initiative for New England

Five banks are working together to reach out to some of the New England homeowners who have been affected – or may soon be affected – by the recent mortgage crisis.

The banks' initiative, called the *Mortgage Relief Fund*, should make it easier for some homeowners who are paying high rates – and those who face a reset of an adjustable-rate loan – to refinance into a more affordable mortgage, avoid delinquency, and avoid foreclosure.

The banks –Citizens Bank, Sovereign Bank, TD Banknorth, Webster Bank, and Bank of America – are stepping forward to play a positive role in the challenging situation facing many New England homeowners. The banks have together committed an initial \$125 million for mortgage loans.

The banks are working together on this initiative with the support and encouragement of the Federal Reserve Bank of Boston. Eric Rosengren, President and CEO of the Boston Fed, said "I really commend these banks for stepping forward and working so hard to develop this initiative – which we all hope will assist a key subset of borrowers."

The initiative aims to assist those borrowers who are paying high rates despite good payment histories, and are residing in homes that are worth more than their outstanding mortgage loan balance(s). The banks aim to provide options to such homeowners, if they are experiencing difficulty now or expect to soon.

"This multi-bank collaboration represents a coordinated initiative from the local banking community to help address these challenging times for many homeowners and the communities where they

reside," said Larry Fish, non-executive chairman of Citizens Financial Group and RBS America. "Under the leadership of the Federal Reserve Bank of Boston, we are launching this initiative to provide assistance to homeowners who are in a position to refinance their high-rate loans into a more conservative product before the threat of foreclosure becomes a reality."

"It's not everyday that you see competitors come together like we are today," said Patrick J. Sullivan, New England North CEO for Sovereign Bank. "We are proud to partner with other financial institutions, and applaud the Federal Reserve Bank of Boston for encouraging the formation of the Mortgage Relief Fund and working with us throughout the process."

Background

The recent rise in delinquencies and foreclosures has been widely reported, and it is very possible that the problem could worsen.

Research by the Federal Reserve Bank of Boston suggests that many borrowers holding so-called "subprime" loans have solid credit histories and some home equity. This seems to be the case for more than 25 percent of subprime borrowers in New England. But for one reason or another they took out high-rate loans, which may soon reset to an even higher level.

With the Mortgage Relief Fund, the banks seek to offer an additional option to homeowners in this predicament.

Goal 1: Outreach

Outreach to borrowers is a key part of this effort. The banks believe they can more easily raise awareness of this initiative as a consortium than they could individually. "By partnering with leading banks in the region, and with the Federal Reserve Bank of Boston, we can increase consumer awareness that there are options to assist them during these challenging times," said Bharat Masrani, TD Banknorth President and CEO.

The banks have established a web site at www.MortgageReliefFund.com. From there, potential borrowers can learn about the initiative, consider a few key aspects of their current situation, and decide whether to contact one or more of the participating banks. Each of the banks has a phone number for borrowers to call if they wish to discuss their individual situation.

The banks are planning to share the costs for paid advertising. The banks and the Federal Reserve Bank of Boston are reaching out to community organizations to help boost awareness of the initiative across the region. The initiative will be promoted in both English- and Spanish-language versions of the website and newspaper ad.

Robert D. Twomey, Webster Bank's President for the Massachusetts and Rhode Island Region said "New Englanders have often found a way to address issues creatively. While the mortgage crisis is by no means limited to New England, we are happy to be part of this approach to an intricate, yet urgent issue."

Goal 2: Lending

The second key component of this effort is the lending. The banks will work with borrowers to explore mortgages with more-attractive terms than they may now have.

The banks expect to incorporate Federal Housing Administration (FHA) insurance and beneficial aspects of state programs, which often include flexible underwriting and eligibility guidelines. These programs allow banks to offer borrowers a lower interest rate, similar to that of prime borrowers, which could result in savings of several hundred dollars per month and the peace of mind of a fixed-rate loan.

Scope

It is important to note that this particular initiative is not a remedy for every borrower facing difficulties. It is not designed for borrowers who are seriously delinquent on their mortgage payments or facing imminent foreclosure. Borrowers in that difficult situation should contact the servicer of their mortgage as soon as possible, or a mortgage-counseling service.

“As a national leader in consumer mortgage and government lending, Bank of America applauds the Federal Reserve Bank of Boston’s initiative to increase awareness of safe and available loan programs for New England homeowners,” said Robert E. Gallery, Massachusetts State President for Bank of America. “We encourage any homeowner who has concerns about their current mortgage and wants to know more about safe mortgage options to contact one of the participating banks.”

The five banks plan to make a combined \$125 million in mortgages available to homeowners under the initial, pilot phase of this initiative. Depending on demand and other factors, the initiative could be extended or expanded. The five banks would also welcome other banks to join in the effort.

All of the participants have high hopes that this effort will assist many homeowners, but know that this initiative alone will not remedy the problem. The initiative will complement other programs such as the 5-year rate-freeze initiative announced recently by the federal government, and other efforts that may be developed.

Randall S. Kroszner, Member of the Board of Governors of the Federal Reserve System said "I commend the banks for this initiative and my colleagues at the Boston Fed for their role in supporting this thoughtful private-sector effort to bring relief to New England subprime mortgage borrowers facing the prospect of losing their homes. This represents one example of the valuable work being done by Federal Reserve Banks around the country to respond to rising foreclosure rates."

While the five banks are the principal participants, the initiative involves the support of the Federal Reserve Bank of Boston, state and federal officials, the FHA, and others in the banking industry. Daniel J. Forte, President and CEO of the Massachusetts Bankers Association (MBA) said, “We applaud the participating banks for their leadership and would advise qualified subprime adjustable-rate mortgage borrowers to contact their local bank today to explore converting to a more traditional loan.” The MBA will work to promote this effort throughout the Commonwealth. The banks and the Federal Reserve will continue to work with the banking associations in the other New England states as well.

FHA is the branch of the U.S. Department of Housing and Urban Development (HUD) that insures mortgage loans against default. FHA does not loan money but rather insures loans against default. FHA products allow for a low downpayment – and the 3 percent minimum downpayment can come from family members, as a gift, or from charities (this is not allowed under other loans). Also, in August HUD announced FHA Secure, a refinancing plan that is designed for people who are good borrowers but were steered into high-cost adjustable mortgages with teaser rates. In addition to

FHA products, HUD funds housing counseling agencies. These agencies are a much-needed front line of help for most people facing some degree of delinquency.

Questions and Answers about the Mortgage Relief Fund

Why was this initiative launched?

We are concerned about the rising rates of delinquency and foreclosure in the region. They bring a painful human toll for fellow New Englanders, and have a negative effect on neighborhoods and potentially the region's economy. While many of the loans that are now causing difficulty were not originated by banks, banks can work with borrowers and help some of them get into more-affordable loans. Research by the Federal Reserve Bank suggests that as many as a quarter of the borrowers holding so-called subprime loans actually have solid credit histories and some home equity, so we want to reach out to them – as good corporate citizens and good businesspeople.

What are the eligibility requirements?

The initiative aims to assist a subset of borrowers – those whose home is worth more than the balance of their mortgage(s), who have generally made mortgage payments on time, who reside in the property, and who can document their income.

How many homeowners do you think you'll be able to serve?

The banks are each committing \$25 million in loans, for an initial total of \$125 million. The number of homeowners assisted will depend on the size of the mortgages – for example, it would represent 500 mortgages of \$250,000. If the demand proves to be greater than the initial \$125 million commitment, we will try to go further – especially if the mortgages can be securitized.

What happens if the \$125 million loan pool is exhausted?

We are focused on educating homeowners about the availability of this program and helping as many people as we can. If demand proves high, we would be happy to consider additional investments aimed at helping more homeowners.

How does this initiative complement other programs that have been announced?

This is one effort by five banks, working with the Federal Reserve Bank of Boston. It should complement other initiatives announced at the federal, state, and city level and by community organizations. Various efforts have different approaches, merits, and target audiences. This effort focuses on borrowers who are paying high rates despite good payment histories – borrowers who may be qualified to get a more affordable loan than they currently have, especially if FHA and state guarantees are fully explored. The initiative should provide options to such homeowners if they are experiencing difficulty now, or expect to have difficulty if and when an adjustable-rate loan resets.

Is the program only for homeowners whose current loan is adjustable and will reset?

The program is designed for borrowers whose mortgages will reset to a higher rate, but it is not limited to such borrowers.

What products will be available through this program?

Through the program, borrowers will have access to a range of mortgage products that may include FHA and FHA Secure as well as state programs and other programs offered by the five participating banks.

What is the application process?

Applicants can get an initial sense of their eligibility for the program by reviewing the criteria listed on www.mortgagerelieffund.com. Interested borrowers should contact the bank of their choice to discuss their eligibility. After they have made the decision regarding which bank they will contact, a bank mortgage loan officer will work with them.

What if someone doesn't qualify for help from the initiative?

Mortgage officers from the banks participating in the initiative will receive additional training on what other options might be available to homeowners who don't qualify under the initiative, and will refer those homeowners to other resources.

Is the program open to other banks?

As corporate citizens, we have pooled our resources to address this situation. We welcome the participation of other banks.