PENNSYLVANIA BANKERS ASSOCIATION

Testimony before the United States Senate Judiciary Committee's

Field Hearing on Keeping Families in their Homes

Philadelphia, PA

October 24, 2008

Thank you, Senator Specter and Senator Casey, for this opportunity to meet with you today. My name is Michael L. White. I am Senior Vice President of VIST Financial, a financial services company offering banking, insurance, investment, and mortgage services based in Wyomissing, Berks County, Pennsylvania. I am here today in my capacity as a member of the Pennsylvania Bankers Association's (PBA) Credit Access Task Force. The PBA's members include 186 commercial banks, savings institutions, trust companies and their affiliates in Pennsylvania – from the smallest to the largest.

Elected officials, regulators, lawyers, financial institutions, and home-owners share a common goal in preventing home mortgage foreclosure whenever possible.

The best means of foreclosure prevention

Effective home mortgage foreclosure preventions starts long before a homeowner ever misses a single payment. In fact, it starts long before a home is purchased.

Homebuyer and financial education are key components to any foreclosure prevention plan. Many loan programs that require home-buyer education have seen favorable results in reducing mortgage delinquency.

October 16th was "Get Smart About Credit Day". Twenty-five hundred bankers visited schools across our nation to teach credit management skills to elementary and secondary students. Since 2003 over 400,000 students have been reached through this volunteer banker program.

Bankers invest their time to educate kids because we firmly believe that careful credit management is best learned early in life. That being said, the values of living within one's means, guarding assets and saving for the future are best exemplified at home.

Banks care about their borrowers

Other witnesses will outline foreclosure prevention from their perspectives as judges, attorneys, government administrators and housing advocates in their communities.

I speak from my 23 years as a commercial bank mortgage lender. I lend through a federally and state-regulated financial institution. My institution and the other members of the PBA are highly-regulated and examined at either or both the state and federal levels.

Strong, sound banks are crucial to the health of our local communities. Bank officers and employees live where they work. The banking industry has every incentive to treat our customers and our communities well and absolutely no reason to do otherwise.

As commercial banks and savings institutions, we depend on our customers' financial well-being. Risky lending or mistreatment of borrowers would expose us to negative scrutiny not only from our regulatory agencies but also from our shareholders and the communities in which we operate.

My institution is not a mortgage loan investor in the sense some investment banks were, nor are we a stand-alone mortgage loan company or broker. Non-bank lenders, brokers or investors are primarily interested in selling mortgages to generate fees or commissions and thus differ markedly from commercial banks and savings institutions.

Bankers understand that some of our borrowers will face financial tough times and need our assistance working through them. If there is one message I could leave here today, it is that homeowners who foresee difficulty coming their way must contact their lenders ***immediately*.** If they wait until they have missed one or more payments, their lenders' ability to help them has been critically diminished.

Home mortgage work-out strategies

Calling your lender on the telephone is the best way to start. Some lenders will reach out to customers even prior to the assessment of a late charge, while most lenders will make contact by phone and mail upon payments exceeding the "grace" period (usually 15 days). Reputable lenders such as PBA's members are anxious to work with their troubled borrowers to avoid foreclosure and will actively continue to attempt contacting the borrower through available avenues.

Those customers that have made contact with or responded to lenders inquiries will then begin the process of evaluating their particular situation and potential solutions. Some strategies and potential solutions utilized are:

- Skipping payments
- Extending payments' due dates
- Accepting reduced payment for a period of time

- Refinancing the current loan
- Modifying the current loan rate or terms

When leaving the home is inevitable

An additional solution to avoiding foreclosure would be the liquidation of the home. Although we would always prefer to keep the owner in the property, there are situations where selling the property and benefiting from the equity make sense. Most lenders will work with borrowers who are actively attempting to market their homes to satisfy the mortgage.

If the home's value exceeds the amount remaining due on the mortgage, the homeowner may want to ask the lender to agree in writing not to seek further collection remedies and grant a reasonable period of time to find alternative housing and vacate the premises in an orderly fashion. Some lenders may be able to work-out an orderly exit even where the proceeds of the sale will not cover the amount of the mortgage remaining due.

Other Assistance Available

Borrowers who anticipate payment issues can also work with reputable, local credit counselors and organizations.

The Pennsylvania Housing Finance Agency is here today to discuss its long-standing, highly regarded statewide home mortgage prevention program known as HEMAP which can provide relief for many home owners

The newly-launched HOPE for Homeowners (H4H) program[1] was created by Congress to help those at risk of foreclosure refinance into more affordable, sustainable loans. H4H is an additional mortgage option designed to keep borrowers in their homes.

Summary

Although mortgage foreclosure is the bank's last source for repayment of a loan, banks would prefer to work towards a solution that avoids the foreclosure process. Banks also have an obligation to follow safety and soundness regulations and make attempts to limit losses that may negatively impact the institution, its depositors and shareholders. Foreclosures affect not only the borrowers and lenders, but also the community. It is in everyone's best interest to have a program that provides equitable solutions for all parties in an expeditious time frame.

Thank you very much for the opportunity to appear before you today to share the banking industry's perspective on this critical issue. I stand ready to answer any questions you may have regarding my testimony.

[1] The HOPE for Homeowners (H4H) program is effective from October 1, 2008 to September 30, 2011. FHA estimates that as many as 400,000 homeowners could avoid foreclosure through this program over the next three years. If borrowers are having trouble making mortgage payments, HOPE for Homeowners may be able to help by refinancing the loan into a new, 30-year, fixed rate, loan with lower payments. 1-888-995-HOPE is the number for the HOPE Now counseling hotline.