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BofA claims success in halting foreclosures

The bank says its 'retention workouts' are up 407% over same period in 2007.

By Lisa Zagaroli
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WASHINGTON A Bank of America official testified Wednesday that the company helped save 52,000 homes from foreclosure in the two months following its purchase of Countrywide, the troubled mortgage lender.

The number of "home retention workouts" was up from 12,300 in the same period a year earlier (July-August 2007).

During the first eight months of 2008, more than 169,000 retention plans were completed, a 407 percent increase over the comparable period in 2007, said Michael Gross, managing director for mortgage loss mitigation at Bank of America.

At a hearing of the House Financial Services Committee, Gross testified with other bankers and regulators about a new federal program to prevent foreclosures. The federal Hope for Homeowners Program, scheduled to take effect Oct. 1, is an effort to prevent some people who have defaulted on their mortgages from losing their homes.

Gross indicated that BofA hasn't waited for the new program.

"In addition to sharply increasing the pace of workouts, we have also become more aggressive in the types of workout plans completed," Gross said in written testimony.

Changing the terms of a loan accounts for more than 74 percent of all the retention plans. Before last fall, he said, they accounted for less than a third.

"These loan modification plans generally result in holding in place or reducing the loan's interest rate, and consequently reducing the customer's monthly payment," Gross said. "Interest rate relief modifications – where the servicer freezes or reduces the borrower's interest rate – were extremely rare until late last year. Today, interest rate modifications account for 67 percent of all the loan modifications completed in 2008."

Gross said the combined company has about 5,000 "home retention" workers. He said BofA remains committed to having no fewer than 3,900 on staff through at least July 1, 2009, the year anniversary of its purchase of Countrywide.

"We continue to be particularly proactive in contacting customers with adjustable rate mortgages who are facing a significant rate reset and providing them with assistance to remain

in their homes,” he told lawmakers.

The hearing was called to discuss the Hope for Homeowners Program, scheduled to take effect Oct. 1 in an effort to prevent some people who have defaulted on their mortgages from losing their homes.

The bankers agreed that reducing the mortgage principal to a percentage of the home's current value – one of the most highly touted provisions of the new law – was the least attractive approach for them.

Gross called it “the last resort.”



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