

ACORN
AFL-CIO
Center for Responsible Lending
Consumer Federation of America
Consumers Union
Louisiana AFL-CIO
NAACP
National Association of Consumer Advocates
National Community Reinvestment Coalition (NCRC)
National Consumer Law Center

**AFL-CIO, Civil Rights Groups, Community, and
Consumer Organizations Challenge
Lenders to Grant 90 Day Extensions on Gulf Loans**
*Lenders who do not grant extensions will be seen as irresponsible
and could undermine recovery effort*

Washington, DC (December 6, 2005) – In the three months since Hurricanes Katrina and Rita devastated the Gulf and displaced hundreds of thousands of residents, most responsible lenders followed the lead of the Federal government and secondary market and took the laudatory step of offering consumers 90 days of forbearance on their home loan payments and a variety of other flexible terms in meeting their financial obligations. While we have urged industry representatives to work towards a policy of deferring loans for one full year, today the urgent need is for all lenders to uniformly grant an additional ninety days of forbearance on home loans and other forms of credit extended in hurricane-affected areas. Homeowners and other borrowers in hurricane affected areas that need an additional ninety days of forbearance and are not receiving it should contact ACORN at 866-471-2272.

The situation in the Gulf had not significantly improved as of the end of the initial ninety-day forbearance period on December 1, 2005. Hundreds of thousands of people are still displaced and unemployed. No government authority has yet to even catalogue whether all of the homes affected by the hurricanes are habitable or not. We are starting to receive reports that some irresponsible lenders are demanding four-month lump sum mortgage payments now that the original 90-day forbearance period has expired. It is clear that anything other than further forbearance will significantly damage the prospects for recovery in the Gulf.

Federal bank regulators have made it clear that lenders may choose to extend forbearance terms. Additionally, the Federal Housing Administration has adopted a one-year forbearance policy, and the important secondary market intermediaries Freddie Mac and Fannie Mae have made clear in statements over the last few days that they expect lenders to give home loan borrowers another ninety days of forbearance. We applaud these steps taken to provide borrowers with much needed relief. But, so far, the financial service industry has failed to assure the public that hurricane victims who need more time before they can begin payments on their loans will get the forbearance they need.

We have had numerous meetings with representatives of the financial services industry about the need for a continuation of policies they previously endorsed, but they have been unable to get agreement for a clear and unambiguous statement on how they are going to treat consumers for the foreseeable future. We believe this silence is due to a minority within the financial services industry that wants the flexibility to take harsh action against consumers in the near future, such as negative credit reporting, the assessment of penalty fees or attempting to collect on loans. This minority is blocking a responsible industry-wide standard.

The silence of responsible lenders within the financial services industry is creating an unnecessary atmosphere of fear and anxiety among Gulf Coast homeowners. This is intolerable. It is the responsible component of the lending industry that should be exercising leadership to set a high standard for all lenders, including lenders that would not otherwise be inclined to be attentive to consumer concerns. We are ready to work in partnership with the industry, and we believe most within the industry are committed to responsible action. Should the industry not take a clear position, we will be asking each lender in the Gulf—starting with home lenders—to define their company’s position relative to the recommendations we have outlined below. For any financial services company unwilling to comply with these best practices, we will work vigorously to draw attention to these punitive policies and to convince Congress and banking regulators to reverse them.

We do not recommend these standards lightly. We know that responsible lenders have already shown substantial compassion for customers affected by the hurricanes and face significant financial hurdles in further extending forbearance terms. However, given the extraordinary circumstances in the Gulf region, we regard these steps as essential to helping Gulf Coast families reestablish their lives and communities. We stand ready to work along side lenders acting in a responsible manner, but will not hesitate to point out those that are not. We also believe that such policies will be in the enlightened self interest of the lending industry as well.

Thus, today we call upon the financial services industry to immediately take the following specific actions:

- Extend the forbearance period for all consumers in hurricane affected areas for an additional 90 days or longer. Offer these consumers a reasonable plan for the repayment of the full loan amount at the end of the loan period, not a demand for the lump sum repayment of the unpaid amount. Making these decisions on a case-by-case basis is unworkable and harmful to consumers whose lives are still financially unstable.
- Continue to suspend the reporting of hurricane-related negative information to credit bureaus. Federal banking regulators have urged lenders to not make hurricane-based negative reports to credit bureaus until the situation in the Gulf Coast stabilizes, which it clearly has not. Lenders should also waive all penalties

and late fees assessed against borrowers and seek and use the pre-Katrina credit scores of consumers in making new credit decisions.

- Provide a moratorium on all foreclosures and debt collection for the forbearance period, if not longer. Lenders should take every possible step to help borrowers retain their homes.
- Work with civil rights groups, consumer, community, and labor groups to develop an advertisement campaign and put in place other means to communicate these changes to consumers.
- Establish a toll-free number where consumers can report cases of lenders taking advantage of displaced homeowners or where the homeowners cannot reach a satisfactory solution with their lender.
- We also call on federal banking regulators to step in to assure that forbearance continues for all hurricane-affected borrowers by requiring lenders to offer one year of automatic forbearance unless borrowers request other arrangements. In the interim, we also urge banking regulators to establish a centralized source of information about lender forbearance terms, such as a web site, where borrowers and their representatives can easily collect this information.

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