

Theodore R. Kulongoski
Governor



NEWS RELEASE

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Governor Calls for Assistance for Consumers Who Face Foreclosure

Governor says loans should be designed for success, not failure.

Salem - Governor Kulongoski today announced several initiatives to help Oregonians who may be facing mortgage foreclosure due to the recent tightening in the subprime lending market.

“We have been fortunate in Oregon that rising home prices have meant lower foreclosure rates than in other states,” said Governor Kulongoski. “But foreclosure rates are rising and that’s a concern. We must make sure that no one loses their home because of an unfair loan product or lack of information.”

Oregon’s housing market remains strong, but the state has seen an increasing number of foreclosures and that may continue as many borrowers with subprime adjustable rate mortgages see their interest rates increase and are unable to refinance.

The Governor has instructed the Department of Consumer and Business Services (DCBS), which regulates mortgage lenders, to take several steps now to help Oregon homeowners. Additionally, the Governor instructed DCBS to convene a work group to look at potential legislative solutions.

The actions that DCBS can take immediately include:

- Connect Oregonians with free pre-foreclosure counseling;
- Work with the lending industry and other government agencies to identify refinancing options for those facing foreclosure; and
- Increase enforcement against misleading advertising aimed at inducing borrowers to refinance.

There are things we can do today that will help Oregon homeowners who are in mortgage crisis and make sure that the refinance market offers legitimate products that truly benefit borrowers,” said Governor Kulongoski.

The Governor also wants to ensure Oregon’s mortgage market remains healthy in the future. He has asked DCBS to convene a work group of legislators, consumer advocates and mortgage lending industry representatives to develop legislation that will address concerns from consumers and the lending industry.

The work group will be looking at a variety of issues, including:

- So-called “mortgage rescue” schemes. As interest rates increase, more borrowers will find themselves with unaffordable loans. Any refinance or buyouts offered by companies should be legitimate and be a net benefit to the borrower;
- Oregon’s mortgage foreclosure laws and whether borrowers receive adequate notice of options and whether procedures are appropriate;
- How subprime loans are underwritten. Just like traditional loans, non-traditional loans should be based on the borrower’s actual ability to pay;
- Prepayment penalties and whether prepayment penalties should be limited by Oregon law so they do not trap borrowers in an unaffordable loan; and,
- Loan qualification and whether there are systems in place to ensure that all borrowers are offered the best possible loan under the best possible terms for which they qualify.

Mortgage lending has been an area of focus for DCBS for the past several years as the department has seen tremendous growth in the industry and more concerns from consumers. The department has taken many steps to strengthen its regulation of the industry, such as increasing educational requirements and enforcement.

Foreclosure counseling resources

- National Foundation for Credit Counseling: Call (866) 557-2227 to connect with an NFCC-certified housing counselor or go to www.nfcc.org.
- HOPE Hotline: (888) 995-HOPE — a confidential, toll-free foreclosure prevention hotline established by the Homeownership Preservation Foundation
- Department of Consumer and Business Services, Division of Finance and Corporate Securities: (503) 378-4140

The Department of Consumer and Business Services is Oregon’s largest business regulatory and consumer protection agency. For more information, visit www.dcbs.oregon.gov.

To see the Governor’s directive to DCBS on mortgage lending, please visit:

http://www.governor.oregon.gov/Gov/pdf/letters/091407_mortgage_lending.pdf

For more information on DCBS mortgage lending actions, please visit:

http://www.governor.oregon.gov/Gov/pdf/letters/mortgage_lending_actions.pdf