



Remarks at the Launch of the Mortgage Relief Fund

By [Eric S. Rosengren](#)

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Mortgage Relief Fund Press Conference

Welcome to the Federal Reserve Bank. We have had a few cancellations among out of town speakers due to the snow storm but I would like to thank everyone who was not deterred by the snow. While the snow has made travel difficult around Boston, it is good news that Santa's sleigh should have plenty of snow for traction this year.

I am very pleased to be standing here with financial and political leaders from New England to announce a joint effort to help subprime borrowers.

I really commend the banks for stepping forward and working so hard to develop this initiative - which we all hope will assist a key subset of borrowers.

And I thank the governor, the mayor, and the HUD regional director for being here to show their ongoing support and involvement.

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

Today, these banks are announcing that they want to reach out to some of the New England homeowners who have been affected - or might be in the future.

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 becoming delinquent, and avoid foreclosure.

The five 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 and have together committed an initial \$125 million for mortgage loans.

Researchers here at the Federal Reserve Bank of Boston are finding that many borrowers holding so-called "subprime" loans have solid credit histories and some home equity and should qualify for the Mortgage Relief Fund. Our research suggests that there may be 38,000 borrowers in New England that had 10% equity in their home when they took out the mortgage, had credit scores over 620, and where fully documented loans for owner occupied houses. For the individual New England states, there are over 15,000 subprime borrowers that satisfy these conditions in Massachusetts, over 10,000 in CT, over 3800 in both New Hampshire and Rhode Island, over 3400 in Maine and a little under 1000 in Vermont. This provides a conservative estimate of the borrowers that could qualify for this program.

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 hundreds of dollars per month and the peace of mind of a fixed rate loan.

This fund of \$125 million offers genuine help to a subset of borrowers who are at a perilous juncture in their mortgage. It is particularly important to find and locate the borrowers who may be eligible for a better rate and a healthier relationship with their lender. This press conference is meant to stimulate interest so we can do just that -- converse with those borrowers who we may be able to assist, study their individual circumstances, and take every responsible step available to us to help them.

This initiative began with a discussion with Larry Fish, the chairman of citizens financial group, about how commercial banks that were not part of the problem could nonetheless help in the resolution of the problem. I will now turn the podium over to Larry to discuss this bank initiative.



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About the Authors



Eric S. Rosengren

Eric S. Rosengren is President & Chief Executive Officer of the Federal Reserve Bank of Boston.

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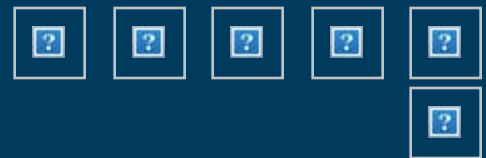
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