

# Big lender to bail out borrowers

## Countrywide to help those hurt the most by rate reset

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CALABASAS — With foreclosures mounting, Countrywide Financial Corp. announced a bail-out plan on Tuesday to modify \$16 billion in mortgages for customers who cannot afford the monthly payment because of interest rate resets.

A top company executive promised generous flexibility for borrowers whose hybrid adjustable loans are now or might soon be unaffordable.

"In some cases, we won't even invoke the payment reset," Steve Bailey, Countrywide's senior managing director of loan administration, said in a conference call.

"The payment reset is not going to be the reason why people suffer foreclosure."

Countrywide said that its plan will "proactively address the rising foreclosure rate" through 2008.

The program includes \$2.2 billion this year to help about 10,000 subprime loan holders who are

currently delinquent and are experiencing financial difficulties as a result of a recent reset.

It did not win universal approval, though.

Bart Narter, senior analyst with Celent, a Boston-based financial research and consulting firm, said in an e-mail that the plan means Countrywide's options went from bad to worse.

"The bad consists of renegotiating loans, and perhaps losing some potential profit, but not flooding the market with even more homes," he said.

"What's worse is that Countrywide is foreclosing on homes in a

### How to get help

Countrywide encourages consumers who face an increase in their mortgage payment or fear falling behind on their payments for any reason to call its home-retention team at (800) 669-6650.

declining market and going through the legal, administrative and financial pain involved in this process."

But he said that the action by Countrywide, the nation's largest mortgage provider, will hopefully set an example in the industry.

And Bailey acknowledged that sinking home values is one reason the company is now taking this action.

The program has a refinance and a work-out component. Here's how it works:

• Countrywide set up a special refinance unit for about 52,000 borrowers with subprime loans and strong payment histories. This pool has about \$10 billion in mortgages, and the company will try to arrange a refinance into prime or FHA loans.

For those with credit issues, Countrywide will offer Fannie Mae or Freddie Mac's expanded criteria programs.

• Countrywide is also going to contact prime and subprime borrowers who are current but unable to qualify for a refinance and are likely to have difficulty affording an upcoming payment

### Program highlights:

- special refinance unit
- 'strong payment history'
- refinance into prime/FHA loans
- push worst loans to FED programs
- Countrywide will call borrowers
- supplement early notification letter to 'determine financial circumstances and develop affordable solutions'

reset.

• The company will supplement its early notification letter to borrowers by calling no later than three months prior to the reset to determine their financial circumstances and develop affordable solutions.

Countrywide hopes to modify \$4 billion in loans for approximately 20,000 borrowers in an existing adjustable-rate mortgage through the end of 2008.

So far this year, the company said its home preservation efforts have helped more than 40,000 borrowers stay in their homes, including the completion of 20,000 loan modifications.

Jack Kyser, vice president and chief economist at the Los Angeles County Economic Development Corp., said the company is doing the right thing.

"It's very unprecedented, and it's probably a very savvy move on the part of Countrywide given all the criticism that Angelo Mozilo (the company's chairman and chief executive officer) is getting," Kyser said. "For a lot of people, this is just going to be wonderful news."