

Treasury Issues Mortgage Loan Report, National Public Radio. Morning Edition, August 4, 2009 10:00 AM ET.

LINDA WERTHEIMER, host:

It's MORNING EDITION from NPR News. I'm Linda Wertheimer.

STEVE INSKEEP, host:

And I'm Steve Inskeep.

We have an update this morning on two of the highest profile efforts to help the economy. In a moment, lawmakers face pressure to offer additional breaks to car buyers.

WERTHEIMER: We begin with the effort to give a break to homeowners. Today, the Treasury Department offers its first monthly report card on banks and mortgage companies. It tracks how they're doing in their efforts to prevent foreclosures.

NPR's Chris Arnold reports.

CHRIS ARNOLD: Foreclosures result in huge losses for banks and other investors. It's a big problem for the economy. And here's the thing, many economists say that a lot of these foreclosures do not need to happen - if the lender lowers the interest rate on the payments and the homeowner can afford to keep the home, everybody wins. So the goal of the report card is to rank which banks are doing a good job at that, doing a lot of so called loan modifications, and which are not.

Assistant Secretary MICHAEL BARR (Financial Institutions, Department of Treasury): Some major players who have done effectively zero percent of their loans.

ARNOLD: That's Michael Barr, the Treasury Department's Assistant Secretary for financial institutions. He spoke with NPR last night. He's found wide variations among lenders as far as how well they are implementing the Obama administration's foreclosure prevention plan. Those big banks and mortgage firms that manage home loans are referred to as mortgage servicers.

Asst. Sec. BARR: There are some servicers, who are able to ramp up quite quickly, get their training in place and execute on the program. And that suggests that those who have not yet done so, that there's very little reason for them to not have performed better.

ARNOLD: Wells Fargo and Bank of America did not score so well, each modified less than seven percent of their delinquent loans under the Obama plan, whereas Chase and GMAC appear to be doing better, modifying around 20 percent. Tom Kelly is a spokesman for JP Morgan Chase.

Mr. TOM KELLY (Spokesman, JP Morgan Chase): At Chase, we've made a lot of progress in helping people who are struggling with their mortgages. We still have a lot of work to do, there's a lot of borrowers who are struggling and we're working to that process right now.

ARNOLD: Bank of America and Wells Fargo have consistently said that they are hiring more loan counselors and working hard to keep a lot of people in their homes. Many people who follow the mortgage industry, think that this report card is a good idea.

Mr. GUY CECALA (CEO, Inside Mortgage Finance): I think so, because I think the only way it's going to really answer the question: are mortgages servicers doing enough?

ARNOLD: That's Guy Cecala, who publishes Inside Mortgage Finance, which tracks the industry. He says, it's been very hard for people like him, or for reporters, or even for government officials to know exactly what's going on with foreclosure prevention.

Mr. CECALA: You know, on one hand the message from the mortgage industry is we're doing tons of loan modification, we're doing as many as possible, don't hassle us. And you know, the response on the other side, they're hearing from borrowers that hey, we can't even get these servicers to answer the phone, much less give us a loan modification.

ARNOLD: Meanwhile, the number of foreclosure keeps rising. Cecala thinks the added scrutiny of the report card will probably get some servicers to do more, but he says...

Mr. CECALA: The big issue is, is that going to really put a dent in the number of foreclosures we see down the pike?

ARNOLD: Mike Calhoun is the president of the Center for Responsible Lending, which studies the ongoing mortgage crisis. He says the Obama administration's plan to prevent foreclosures is the best attempt by the government, so far, to address the problem. The administration says it should reach 500,000 borrowers by November. But Calhoun says...

Mr. MIKE CALHOUN (Founder, Center for Responsible Lending): Even with these modification efforts, we will see record numbers of foreclosures this year - somewhere - two-and-a-half to three million foreclosures will likely occur.

ARNOLD: Assistant Treasury Secretary, Michael Barr, says eventually the Obama loan modification program could help a lot more people.

Asst. Sec. BARR: I think that we can do better. We need to try and reach as many as three to four million home owners as quickly as we can.

ARNOLD: Guy Cecala says, clearly you can't keep everybody in their homes. But he thinks that ultimately, the industry still needs to throw a lot more resources and people into solving the problem.

Chris Arnold, NPR News.