

Queens Civic Congress President quoted on homeowner loan crisis
(see top page 2)

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LOAN FREEZE PLAY

SUBPRIME DEAL BARS INCREASE OF RATES

By MARTIN CRUTSINGER and ALAN ZIBEL, AP

December 6, 2007 -- WASHINGTON - The Bush administration has hammered out an agreement to freeze interest rates for certain subprime mortgages for five years to combat a soaring tide of foreclosures, congressional aides said yesterday.

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The aides, who spoke on condition of anonymity because details have not yet been released, said the five-year moratorium represented a compromise between desires by banking regulators for a longer time frame of up to seven years and mortgage-industry arguments that the freeze should last only one or two years.

Another person familiar with the matter said the rate-freeze plan would apply to borrowers with loans made at the start of 2005 through July 30 of this year with rates that are scheduled to rise between Jan. 1, 2008, and July 31, 2010.

The administration said President Bush will speak on the agreement at the White House today.

The Treasury Department announced that Treasury Secretary Henry Paulson and Housing and Urban Development Secretary Alphonso Jackson will hold a joint news conference this afternoon with mortgage-industry officials.

Sen. Charles Schumer (D-NY) welcomed the moratorium as a first step in dealing with the problem.

"It is good the administration is finally stepping up with a plan that respects the magnitude of the problem. But there is much more that still needs to be done, most essentially the funding for nonprofit counselors that the president is threatening to veto," said Schumer, who wants to help keep home buyers away from dangerously financed loans.

In New York City, the borough hit hardest by the subprime crisis is Queens, where foreclosure proceedings were started on 2,478 homes this year and another 3,561 were expected next year for a total of 6,039.

Brooklyn had 4,864 homes facing foreclosure, The Bronx 2,183, Staten Island 1,472 and Manhattan 381, according to a report by the Joint Economic Committee of the Senate and House of Representatives.

Corey Bearak, president of the Queens Civic Congress, said the proposed moratorium could help save entire neighborhoods from declining property values and the problem of an increasing number of vacant homes.

"That in itself is a good thing. It will help stabilize neighborhoods and allow people to remain in their communities," Bearak said.

"Foreclosure doesn't affect just the one homeowner, it affects the whole community."

Paulson, who has been leading the effort to craft a plan, said Monday the program would be available only for owner-occupied homes - to ensure real-estate speculators do not get the break.

The plan emerged from talks among Paulson and other banking regulators and banks, mortgage investors and consumer groups trying to address an avalanche of foreclosures feared as an estimated 2 million subprime mortgages reset higher from lower introductory rates.

In many cases, the higher rates will boost monthly payments by as much as 30 percent, making it difficult for many people to keep current with their loans.

The plan is aimed at homeowners making payments on time at lower introductory mortgage rates but cannot afford a higher adjusted rate.

Additional reporting by Post reporter Tom Topousis