



PRESS RELEASE

Federal Deposit Insurance Corporation

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Statement of FDIC Chairman Bair on Loan Modification Plan

Federal Deposit Insurance Corporation Chairman Sheila C. Bair today made the following statement at a press conference announcing an industry led plan to help certain subprime homeowners with unaffordable reset payments avoid foreclosure:

"While I have not had an opportunity to review the details of the agreement reached today, I understand that it fulfills the principles that we have advocated to prevent unnecessary foreclosures. Most importantly, as I understand the agreement, it is a commitment by the industry to implement a stream-lined process to extend the starter rates on subprime ARMs for 5 years or longer for subprime borrowers who have been current on their loans, but can't refinance or make the higher payments after reset."

"This is an important initial step and I commend Secretary Paulson for his advocacy on behalf of systematic loan modifications. I applaud Secretary Paulson's vision in recognizing that we are in a virtually unprecedented credit environment and that difficult choices have to be made. In particular, I want to thank the President for his personal interest and support for this initiative."

"Homeowners benefit by extending their fixed starter rate for a minimum of five years. In many cases, it will make sense to extend the modification for a longer period and that is allowed by today's agreement. Investors benefit by receiving a steady stream of income rather than incurring the greater losses from foreclosing on a home. Communities and neighborhoods benefit by allowing people to maintain stakes and a vested interest in the areas where they live."

"Accountability also is critical. The plan includes an effective system to measure the progress in making loan modifications."



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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"I understand that this agreement will continue to be enhanced and refined as we obtain more information about the pace and structure of loan modifications. I look forward to seeing these reports and the level of fast track modifications under this agreement."

"The bottom line is that consumers who are making their payments on time will be able to afford to keep their homes. If these homeowners do not have the ability to refinance or make their higher payments after resets, then they will qualify for a loan modification. The FDIC is committed to finding solutions that help homeowners continue to live the American Dream."

Attachment:

<http://www.fdic.gov/news/news/speeches/archives/2007/chairman/spdec0607.html>