

FOR IMMEDIATE RELEASE

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**GOVERNOR RENDELL ANNOUNCES
NEW FORECLOSURE PREVENTION PLANS IN PHILADELPHIA**

(PHILADELPHIA) Pennsylvania Governor Edward G. Rendell today announced two new major efforts to help homeowners who are in danger of losing their homes because they can't make payments on unaffordable adjustable-rate mortgages or because they are victims of mortgage loan fraud and predatory lending. The Governor, accompanied by Philadelphia Mayor John F. Street, PNC Bank Regional President J. William Mills III, Secretary of Banking Steven Kaplan, and Pennsylvania Housing Finance Agency Executive Director Brian A. Hudson, Sr., made the announcement at Philadelphia City Hall.

"We have a mortgage crisis in Pennsylvania and the nation that threatens our economic stability," Governor Rendell said. "There are thousands of hardworking homeowners caught in mortgages they can no longer afford."

"We must tackle the mortgage crisis on two fronts," Governor Rendell continued. "The two new loan programs—REfinance to an Affordable Loan or REAL, and Homeowner Equity Recovery Opportunity, or HERO—will help homeowners facing foreclosure. The legislative mortgage reforms proposed by the Banking Department will help us avoid a crisis like this in the future if the legislature takes action now."

Rendell announced the REAL and HERO programs in Philadelphia where they are being initiated. A number of government officials, housing advocates, finance professionals, and consumer interest organizations attended the event.

"This announcement would not be possible without the impressive cooperation among the Commonwealth, the Pennsylvania Housing Finance Agency, the City of Philadelphia, and PNC Bank. I commend them for their partnership," the Governor said.

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Start-up funding for the HERO program is being provided by PNC Bank, the City of Philadelphia, and PHFA. PNC's Community Development Group has invested \$5,000,000 in the HERO program. Philadelphia is committing \$1,000,000 of Neighborhood Transformation Initiative (NTI) bond proceeds to the program as part of NTI's "Don't Borrow Trouble" anti-predatory lending program to support HERO loans made within the City limits.

"Through NTI, the City has shown its strong commitment to our neighborhoods," said Mayor John F. Street. "Now, the HERO Program will enable us to invest in our homeowners as well."

Philadelphia's contribution will be used as a "loan-loss reserve" by PHFA, which will match it with funds of its own for HERO loans.

PNC's investment will be used to originate HERO loans with below-market interest-rates in the region and to leverage a planned initial PHFA bond issue of \$25 million that will provide the actual financing for loans.

"PNC's Community Development Group has taken a leadership role in this endeavor, and through our investment, we hope to encourage other financial institutions to invest in the HERO program in order to help save thousands of families' homes from foreclosure," said J. William Mills, III, president of PNC Bank for Philadelphia and Southern New Jersey.

HERO features loans for homeowners who, because of credit difficulties or other issues, can't afford their current mortgage payments and are not eligible for other programs that could save their homes from foreclosure. Unlike the REAL program that depends on a lender network, HERO loans are directly made by PHFA, which may negotiate with current mortgage-holders to reduce the amount owed on applicants' properties.

Credit counseling and financial management education are featured as part of the program, as is automatic electronic payment. Unlike some of the expensive loans they are replacing, HERO mortgage payments don't have any hidden costs or after-the-fact fees. Instead, they will consist of the normal principal, interest, taxes, and insurance components, typical items for standard loans.

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No prepayment penalties will be imposed on borrowers, who will use the loans for paying off old, high-rate loans, including late charges. Their monthly payments will go directly to the Pennsylvania Housing Finance Agency.

HERO loans are to be used to refinance primary residences owned by the borrowers and will be based on the actual value of the homes involved, not the inflated figures that plagued some mortgage markets in recent years. The mortgage interest rate is 7.95 percent.

Unstable home loans and foreclosures have become a major factor in the national and global securities markets and have gained international headlines for several months. Addressing the issue within the Commonwealth is a priority of the Governor and the Mayor, who have enlisted the cooperation of lending institutions like PNC Bank and the Pennsylvania Housing Finance Agency.

“It’s great to have some good news about housing,” PHFA’s Executive Director Brian Hudson said. “Working together, we can help thousands of Pennsylvania families keep their homes.”

Hudson noted that both programs will be managed by PHFA to prevent foreclosure by combining 100 percent financing with flexible credit underwriting. Each will provide relief for those who wouldn’t otherwise qualify for typical refinance programs.

“These programs are just what is needed right now.” Hudson said. “They reward thrift and saving, they help families who are desperately attempting to meet their financial obligations, and they offer hope to citizens who work hard every day to raise their children, care for aging parents, and keep a roof over their heads.”

Applicants for REAL loans can be up to 59 days behind in their current payments and may include loan arrearages in their new mortgages. Loans will be available to borrowers with incomes up to \$120,000 under both programs.

Borrowers will apply for REAL mortgage refinancing at one of 72 participating PHFA lenders offering the option. Loan interest rates are between 7.375 and 7.625 percent, depending on type.

More information is available on the PHFA Web site, www.phfa.org.

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