



Any Real Financial Solution Must Stop Foreclosures

The Problem with the Paulson Bailout Plan

The government's proposed bailout plan is a \$700 million gift to the financial industry that comes with no accountability and will do nothing to stop millions of foreclosures.

Under the Paulson plan, the government will take ownership of bad investments, not individual loans. Consider these facts:

- An estimated **2.3 million foreclosures** will occur in the next two years.
- **One-third (2 million out of 6 million) of borrowers** with outstanding subprime loans are delinquent or in foreclosure.
- **40 million** will see their home values decline due to projected foreclosures.
- **20,000 families** lose their home each week.
- **70%** of troubled borrowers are on track to receive no help from loan servicing companies.

Current "Fixes" Fall Short

The housing bill passed in July depends on loan servicing companies to voluntarily modify unaffordable mortgages. The rate of successes falls far short of the home losses occurring every month.

The Paulson bailout buys distressed loans from financial institutions, but because of existing contracts and the complicated structure of mortgage-backed securities, the government won't be able to modify mortgages—they will simply become the party that forecloses.

The Solution

The only good plan is to allow homeowners an opportunity to get loan changes through the legal system. Judicial loan modifications would give judges the authority to modify harmful mortgages marketed by unscrupulous lenders and would help save 600,000 from losing their homes. Here are the facts:

- No cost to the U.S. Treasury.
- Narrowly targets families who would otherwise lose their homes and excludes families who do not need assistance.
- Saves American families not facing foreclosure \$89 million by avoiding 600,000 foreclosures by their neighbors.
- Induces more voluntary loan modifications without bankruptcy.

Tell your representatives in Congress to support judicial loan modifications and stop the flood of foreclosures that is hurting our economy.