



FOR IMMEDIATE RELEASE
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Helping Americans Keep Their Homes: Center for Responsible Lending Establishes New Institute to Help Homeowners Threatened by Subprime Lending Crisis

Institute to Provide Legal Assistance to Families Facing Surge in Foreclosures

WASHINGTON, D.C. (October 12, 2007)—As the nation's foreclosure epidemic continues to worsen, the Center for Responsible Lending (CRL) has formed the Institute for Foreclosure Legal Assistance (IFLA) to support groups giving legal representation to families facing foreclosure and financial ruin because of abusive subprime mortgages. The National Association of Consumer Advocates (NACA) will manage the project, which recognizes that one of the biggest barriers families face to avoid losing their homes is the lack of access to quality legal services.

The Institute, launched with a \$15 million grant from investment management firm Paulson & Co. Inc., will provide funding and training to organizations that help homeowners negotiate alternatives to foreclosure. The majority of the funds will be grants to support direct legal assistance to borrowers in 10 or more states to fight foreclosure, predatory lenders and abusive loan servicers. It will do this primarily by providing money to top non-profit legal-aid groups and law school clinics.

Formation of the Institute comes as the rate of subprime foreclosures, already alarmingly high, is set to accelerate. Analysts have predicted that as many as 1.7 million foreclosures will occur in the next two to three years. Within the next eighteen months, up to four million subprime borrowers will see their monthly mortgage payments jump approximately 40% as initial "teaser" interest rates expire. Servicers and lenders have largely refused to modify these abusive subprime loans. According to a recent study by Moody's, only 1% of loans that reset to a higher interest rate were modified by servicers. Lenders and servicers are simply not modifying these mortgages in sufficient numbers to help homeowners.

"Legal resources available to help struggling families fall far short of that needed to address the millions of abusive loans that have been made in recent years," said Martin Eakes, Chief Executive Officer of CRL. "By providing funding and other support for attorneys who can review loan documents and negotiate with loan servicers, we believe that many more homeowners will be able to stay in their homes."

NACA executive director Ira Rheingold will manage the new Institute. "The only meaningful way to help families save their homes is to help them get access to quality legal assistance," he said. "In many cases, families need legal help to keep their homes.

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We hope to be able to help provide legal representation to at least 5,000 families with these funds so that families can keep their homes.”

John Paulson, founder and head of Paulson & Co. Inc., said he hopes that his firm’s donation is just the beginning: “CRL and NACA both have long histories of working to ensure that homeowners get fair treatment from mortgage lenders. We are pleased to help them provide legal services to distressed homeowners, many of whom have been victimized by predatory lenders. We hope that our grant will spur additional funds for these types of efforts from public and private sources to help more homeowners avoid foreclosure.”

Willard Ogburn, Executive Director of the National Consumer Law Center, said, “We see every day the desperate need for quality legal help for families in financial crisis facing the loss of their home. Additional resources will mean more essential assistance for families in need. The Center will do all that it can to help address the current crisis in homeownership.”

Wade Henderson, President and CEO of the Leadership Conference on Civil Rights, said, “Every day we hear about industry bail-outs from the foreclosure crisis they created, but homeowners trying to save the roofs over their heads have very limited options for getting help and industry does not seem interested in taking meaningful steps that would make a real difference. The Institute was created to help borrowers today who can’t wait for tomorrow to try to save their homes. This initiative is an important step in the right direction to help provide effective legal assistance to those who desperately need it.”

Shanna Smith, President and CEO of the National Fair Housing Alliance, said of the announcement, “It’s high time that Americans facing foreclosure got some helpful news. This Institute for Foreclosure Legal Assistance is critical because without it families will lose their homes. We can no longer wait on industry to fix the problem.”

The Institute should be up and running within a few months. It will be headquartered in Washington, DC at the offices of CRL and NACA.

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The Center for Responsible Lending is a nonprofit, nonpartisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. CRL is affiliated with Self-Help, one of the nation's largest community development financial institutions. For more information visit www.responsiblelending.org

The National Association of Consumer Advocates (NACA) is a nationwide organization of more than 1000 attorneys who represent and have represented hundreds of thousands of consumers victimized by fraudulent, abusive and predatory business practices. As an organization fully committed to promoting justice for consumers, NACA's members and their clients are actively engaged in promoting a fair and open marketplace that forcefully protects the rights of consumers, particularly those of modest means. For more information visit www.naca.net

Paulson & Co. Inc. is a New York-based investment management firm, with \$23.5 billion in assets across merger, event-driven, distressed and credit-focused strategies.

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