NATIONAL PRESS CLUB LUNCHEON WITH JOHN ROBBINS, CHAIRMAN OF THE MORTGAGE BANKERS ASSOCIATION

SUBJECT: SUBPRIME MORTGAGES AND ACCESSIBLE CREDIT

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MR. DONNELLY: Good afternoon, and welcome to the National Press Club. My name is John Donnelly. I'm vice president of the club. I'm a reporter with Congressional Quarterly.

Today's guest is John Robbins, chairman of the Mortgage Bankers Association. I'd like to welcome club members and their guests in the audience today, as well as those of you watching on C-SPAN. We're looking forward to today's speech, and afterwards I will ask as many questions from the audience as time permits. Please hold your applause during the speech so that we have time for as many questions as possible.

For our broadcast audience, I'd like to explain that if you hear applause, it may be from the guests and members of the general public who attend our luncheons, not necessarily from the working press -- (laughter) -- not necessarily.

I'd now like to introduce our head table guests and ask them to stand briefly when their names are called. From your right, Bill McCluskey (sp), retired from the Associated Press and BellSouth and a member of the club; Allison Vection (sp), a reporter with Bloomberg News and a member of the club; Steve Cook, vice president, public affairs, of the National Association of Realtors; Heather Scott, an editor and a correspondent with Market News International and a member of the club; Dawn Kopecki, a reporter with Business Week and a guest of the speaker; Amy Fickling, an editor at McGraw-Hill and a member of the club; Laura Robbins, the wife of our speaker; Melissa Charbonneau of CBN, vice chair of the speakers committee; and skipping over our speaker for just a moment, Ira Allen, freelance health writer and speakers committee member who organized today's event -- thank you, Ira; Dina El-Bogdadi (sp) with The Washington Post and a guest of the speaker; Ken Dalecki, a freelance writer and editor, member of the club, a former member of the board; Cheyenne Hopkins, a reporter with the American Banker and a member of the National Press Club; Rodrigo Valderrama (sp), a commercial real estate broker and a member of the club; and finally, Matthew Mogul with Kiplinger Washington Letters, also a member of the club. (Applause.)

Just a few blocks from here stands the White House, the most prime piece of real estate in the city. A tourist once asked how much it cost to buy such a house. The answer: The occupant lives there rent-free, but getting there costs $300 million. And whether you're on Pennsylvania Avenue in D.C. or on Main Street USA, real estate is always one of the hottest of topics.

Nowhere more than in Washington, D.C. can decisions make or break the American dream of home ownership, but decisions made in brokerage firms and lending institutions across the country play a big role in what happens in the market.

Several years ago, market forces started depressing real estate values at a time when many homeowners were struggling with monthly payments, and people with bad credit or no money at all were dying to get into a house. Some lenders saw an opportunity. They dusted off a little-used device known as a subprime loan, a high-interest loan made to people with a high risk of default.

A minority of these lenders saw a chance to make money available without regard to the borrower's ability to pay. Some artificially inflated the value of a risky property by getting appraisers to falsify reports. Devious mortgage marketing schemes even got a 70-year-old woman in California to take a mortgage of $2,200 a month, despite having an income of less than half that amount.

The use of subprime mortgages has doubled since 2003 to about 20 percent of all mortgages, according to the Federal Deposit Insurance Corporation. The total value of these loans: Nearly $600 billion.

What's more, according to one consultant, anyway, the subprime market now represents 30 percent of all profits in the mortgage industry.

The result is a new scandal that threatens the entire economy and a disaster for the mortgage industry, perhaps as bad, according to some, as the savings-and-loan scandals of the 1980s. Last year home mortgage foreclosures were up 42 percent. The trend appears to be continuing in 2007. It could end up costing hundreds of thousands more families their homes.

The problem also could shake Wall Street financial houses that bought up loans that should never have been made. The crisis may eventually cost $164 billion, some experts reckon.

Our guest today, John M. Robbins, chairman of the Mortgage Bankers Association, is eager to speak to the issues raised by the subprime scandal from the point of view of the lenders. His association has earmarked $5 million to counter what its members view as exaggerated media coverage of the subprime problem.

"The issue is not as simple as some would have you believe," Mr. Robbins has said. He recently testified before Congress that a proposed federal bailout for people victimized by subprime loans will, quote, "have the unfortunate effect of limiting choice and restricting mortgage credit to the neediest borrowers, thereby hurting those people it ostensibly is designed to help," closed quote. And I'm sure we'll be hearing more about that today.

Mr. Robbins has been active in the industry since 1972, having founded American Residential Mortgage Corporation, which grew to become one of the nation's largest independent mortgage banks prior to its sale to Chase Bank in 1994. Previously, he was a member of Fannie Mae's National Advisory Council. He served on its western regional advisory board.

Mr. Robbins has been a leader in community affairs in ways too numerous to mention, but they include serving on several boards of directors, including the Child Abuse Prevention Foundation and the San Diego Chamber of Commerce.

He is an avid outdoorsman who lives in San Diego with his wife Laura, who I've introduced, and they spend their free time with their two children and three grandchildren who live nearby.

Please join me in a warm National Press Club welcome for John Robbins. (Applause.)

MR. ROBBINS: I am very proud of what I do. I know the good my company, my employees and thousands of my fellow mortgage bankers have done for families, for communities, for this country.

Frankly, I'd imagine my brief tenure as chairman of the Mortgage Bankers Association would be celebratory, one part victory lap, one part implementation of initiatives with a lasting impact on the industry I so cherish. Yet I stand before you today mad as hell. I have to be angry. It would be too depressing to accept that a very few unethical people can give my profession and me a black eye.

But it's worse than that. It's just not our reputations that have been damaged -- the very people we take pride in helping -- all because of a very few unethical actors.

And here's what their actions obscure: Millions of Americans building financial security today by owning their own homes, 2.8 million families achieved home ownership for the first time in just the last five years. Many are families who, a generation ago, thought home ownership was beyond their reach. They are today building equity, repaying loans without undue hardship, experiencing their American dream of owning a home. This creates stronger cities and towns. People care more deeply, who are more involved, when they have an ownership stake in their neighborhood.

What makes the current situation so frustrating is that those of us now tainted by those very unethical actions were the very ones out front. Our historical data led us to predict a loosening of underwriting standards and increase in ARMs. It occurs after every boom. And we clearly said this boom would be no different.

For years we have been calling for legislation to create a tough national standard to protect consumers against predatory lending.

We were doing so during years of record volumes, long before the increased share of subprime loans -- years in which our industry helped keep this economy out of a recession.

Today, when faced with heartbreaking stories of people losing their homes, there's a clamor for action. You know, it's an easy trap to fall into. Regulators can regulate, so let's have more regulation. Legislators can legislate, so let's have more laws. Problem solved. It was Maslow who said that when all you have is a hammer, every problem looks like a nail. But before we start hammering away, I propose the most intimately involved have the chance to make the necessary changes.

Our industry pioneered structured finance securitization -- a system that spreads risk, increases liquidity, and offers investors and borrowers opportunities they wouldn't otherwise have. It's a global system the envy of other nations. We developed risk-based pricing, opening more doors. And thanks to these innovations, home ownership is no longer just for the few and powerful. It's for the masses. Nearly 70 percent of Americans are homeowners, building wealth and building strong communities. Let's not smash this subtle ingenious system as we fix problems in the subprime market. We have plenty of cleaning up to do. And that's the most important thing -- help the people in trouble. Truth is, we're pretty good at cleaning up. We've had a lot of practice after what Katrina and Rita did to the Gulf Coast. We prevented widespread foreclosures for more than 18 months by providing forbearance for many homeowners.

So let's begin by looking at what corrections have already occurred and what's left to be done, and that way we can be sure we take the right steps rather than just the expedient ones -- that what we do is truly needed today, not something that was needed a year ago but won't do much good now. This requires an actual understanding of the magnitude of the problem. Let's look at some hard numbers. First, let me point out that fully 35 percent of the homeowners in this country have no mortgage. They own their homes free and clear -- 35 percent. Plenty of stability there. Now, let's look at the segment where our current troubles are. Among homeowners, 5.1 percent of them are subprime borrowers with adjustable rate mortgages -- 5.1 percent. We are seeing a foreclosure rate of 10.8 percent annualized among subprime ARMs. So what percentage of homeowners are we really talking about here? Ten percent of 5.1 percent of all homeowners. And of that half of 1 percent of the whole, fully half of those will find solution (sic) that avoids a foreclosure sale. In other words, one-quarter of 1 percent will ultimately face foreclosure. As we can clearly see, this is not a macroeconomic event. No seismic financial occurrence is about to overwhelm the U.S. economy.

We're not the only ones who think so. Chairman Bernanke said last week in his speech, and I quote, "We do not expect significant spillovers from the subprime market to the rest of the economy or the financial system." I know this is cold comfort to the people who have been hurt. Their pain is real -- a mountain to climb each morning. They don't care what the statistics are. They're people with problems. Those figures even at a half a percent still add up to a lot of people. The Center for Responsible Lending released a foreclosure forecast that cites 2.2 million number (sic) as the number of subprime borrowers who -- and let's pay attention here -- have lost or will lose their homes to foreclosure. That's been interpreted as new foreclosures -- as something about to happen. They reached that 2.2 million figure by disingenuously totaling all the subprime foreclosures since 1998 of which there have been about 1.6 million, and then of recent subprime loans to add another 600,000 in the near term future. So their 2.2 million figure was cumulative over at least an 11-year period, only a small portion of which is a forecast. That's still a lot of people, but out of 75 million homeowners and 50 million mortgage holders, it's not an eyebrow-raising number when looked at over that period of years. It's within what we as a society deem as an acceptable risk for the rewards and opportunities of homeownership.

One more thing about the -- their forecast. It assumes that every loan that goes into foreclosure will be foreclosed upon. But 50 percent of foreclosures are worked out, and that's a percentage we need to keep very high. Again, for the people represented by those numbers, any one of them -- it is a tragedy. Yet we need those figures to understand how best to help those who need help. Knowing that the system is not in imminent danger, it's clear that our first steps are to help those in trouble. We mean homeowners living in their own homes. We're not for rescuing real estate speculators. Blanket forbearances that bailed out investors could actually drive up delinquencies. Some might view it as a way to get out of their obligations. Even the talk of blanket foreclosures or forbearances could spur a surge in delinquencies.

Second, we must find a way to prevent future abuse without eliminating subprime loans. I want you all to remember that 3 million Americans used a subprime loan to purchase a house. It is an extremely important tool for providing home ownership opportunities in this country. Again, Chairman Bernanke said, quote, "Regulators must walk a fine line. We must do what we can to prevent abuses or bad practices, but at the same time we do not want to curtail responsible subprime lending or close off refinancing options that would be beneficial to borrowers," unquote.

Here's why that makes sense. More than 81 percent of all holders of subprime loans are making their payments on time.

So for every dramatic and heartbreaking story, there are so many more equally dramatic and uplifting stories of people who have gained a home -- and in many cases not just a home, but a legacy of financial stability to pass on to the next generation thanks to a subprime loan. These are people like Mr. Nguyen (sp) of San Francisco, a Vietnamese immigrant with a sound business, but no credit history. A subprime loan was the only way he could purchase a home. Once in and with the help of his excellent mortgage payment, he established good credit, at which point he then refinanced into a prime loan.

We as the mortgage lending community want to work with our borrowers to avoid foreclosures, and we are. Our partnership with NeighborWorks is just one example. Now I'd like to be all success stories and not a single sad one, but I'm a realist. I'm also an American, and one of the freedoms we enjoy is the freedom to take risk, the freedom to make individual choices. Subprime or not, people are often banking on themselves when they take a mortgage. Banking on their vision of the future than where they may be today. For the vast majority of people, it works out fine. But for a few, unfortunate things happen. But we as a society deem that an acceptable risk. We like people who bet on themselves. We are indeed a risk-and-reward society. One more quote from the Fed Chairman: "We must seek to preserve the benefits of financial innovation even as we address the risk that may accompany that innovation," unquote. Personal life events -- sickness, job loss and local economic conditions are still the main drivers of delinquencies regardless of loan type. The states today with the highest level of serious late payments -- Michigan, Ohio, Illinois, Indiana and Kentucky -- all have troubled local economies. These states have lost 460,000 jobs since 2001.

You know, I chose Mr. Nguyen (sp) precisely because he is an immigrant. Immigrants arriving at a rate of 1.3 million per year. You know, some arrive with wealth, but we know the vast majority arrive with little money and with no credit history. They're a big reason our mortgage market is projected to be two times its current $10.3 trillion size in just the next 15 years. Our population is growing at about -- 14 million new households will therefore be needed in the next 20 years. Just two years from now, 30 million single women will own their own home.

A Brookings study says that half the buildings in which Americans will live, play and work by the year 2030 don't even exist yet. Clearly, for a million different reasons, there remains a real need for subprime loans. Some say there are natural limits to home ownership, and we have plain exceeded them. Well, I disagree. I believe the correct home ownership rate will be achieved when every borrower who is credit worthy throughout the entire risk spectrum has access to credit to buy a home. We must continue to make increased home ownership a priority until the gap between the overall average and minority ownership is closed. Any talk of reached peak home ownership must be tabled until that is achieved.

Ask our minority populations, now numbering 100 million people how important it is to them to have equal access to these opportunities. We don't want to revert to a time when without perfect credit, you couldn't buy a home. It's ironic that for years, the rap against this industry was we were too conservative. Yet regulatory or legislative overreaction could prompt a return to just that to raise the bar. Forcing out first-time low-to-moderate income borrowers --

you know, it's not the person with a 720 FICO score that needs to worry. We were concerned about this issue long before the current subprime situation.

A working paper put out three years ago from the Joint Center for Harving -- for Housing Studies at Harvard poses a very interesting chicken and egg problem. It was entitled "Hitting the Wall: Credit as an Impediment to Home Ownership." It reports in a significant increase in credit quality among homeowners measured from 1989 to 2002. Meaning today, most people who own their own home have relatively strong credit. However, credit quality among renters did just the opposite over the same period. It decreased significantly. Did the renters with good credit simply buy their way out of one group and into the other? Does that account for both shifts? Or does the ability to own a home create good credit? We already know it creates wealth. According to the federal government, the average net worth of homeowners is $184,000 while the average net worth of renters is only $4,000.

As with most complex issues, it is likely a bit of all that, plus the fact that many renters during that time were likely new immigrants with little or no credit. But whichever way you interpret the findings, the one thing they tell us is that it's critical for society to improve its credit rating among renters. We don't want to be a land of have and have-nots. And that means improving financial literacy, teaching sound money management in our schools, getting the point across early and often that plastic is not cash. We urge Congress to create a financial literacy requirement for public schools. I have met with many members of Congress on this very subject and see absolutely no downside. You know, we are the most complex credit society in the world. Isn't financial literacy a little more important than wood shop?

So what steps have already been taken by the market and by the players involved? Underwriting has tightened. While standards loosened in 2005 and 2006 -- they always do to some degree when volume declines -- today the percentage of banks reporting tighter standards is the highest in 15 years. Investors are wary of too many subprime loans in their portfolios. If lenders can't sell them on the secondary market, they won't originate them. So they're declining as a result of supply and demand. Many of those who most abuse the system are already out of business. Today over 40 companies have closed for being overly aggressive in their underwriting. And though while the market isn't always perfect, it does punish mistakes severely and is much faster to correct than either legislators or regulators.

Now, many people whose loans are about to reset still have subprime credit. They need to get into some other loan. While they may be able to, many of this -- people in this category are not mere victims of unscrupulous lenders. They're smart people who took a calculated risk to get into a home, all along planning to refinance before the big jump in their ARM. In many states, these borrowers were also hit not just by the rise in interest rates, but by the dramatic run-ups in property taxes and hazard insurance as well.

We can't leave these people twisting in the wind. They were practicing financial planning and attempting to take advantage of the opportunities they saw in the future. They were betting on themselves. To keep their financing options open, we must avoid a credit crunch. Even so, tight credit is having an affect on home sales. The latest projections for this year revised to around a 4 percent drop compared to last year -- remembering that last year was a near record year.

Well, that's what the market has done. What have we and others been doing? And what more do we propose to do? Our first priority should be to help those who need help immediately. Searching for solutions, the mortgage industry has met with the GSEs, with FHA, with our largest servicers, consumer groups and civil rights leaders. We do so both separately and as a participant in Senator Dodd's housing summit last month. There, we helped draft the principles that all agreed to, including early contact of borrowers who may be in trouble and a commitment to find the best alternative for those borrowers. We continue to work toward FHA modernization. Proof of its importance was Commissioner Montgomery's announcement that FHA plans to refi over 60,000 subprime loans in 2007.

The industry has the capacity and the tools to prevent many foreclosures if given the chance. It's human nature for borrowers in trouble to avoid calling their servicer and announcing that they don't have enough money to make their payment. It's just not a call anyone wants to make; indeed, it's counterintuitive. Yet it's the smartest thing a borrower facing delinquency can do. Even 80 percent of those already in foreclosure benefit from lost mitigation techniques resulting in about half not losing their homes. I hope this fact is mentioned in any and all coverage of subprime loan delinquency.

Nobody wins in a foreclosure. On average, our industry loses $40,000 to $50,000 per home when that happens. But the homeowner loses a lot more: their credit rating, their equity and their home.

So working something out is truly best for everyone. For that reason, MBA, on behalf of the entire mortgage industry, has created a series of radio and television public service announcements. They let borrowers know how important it is to contact the company they make their payments to if they're having trouble. The sooner they call, the sooner they can work together to find a solution. It helps prevent foreclosure and minimizes damage to a borrower's credit. MBA has partnered with NeighborWorks America, a nonprofit organization

created by Congress, to provide financial support technical assistance, and training for community revitalization efforts. Specially, we will be able to promote their free counseling hotline, 888-995-HOPE, manned by the Homeownership Preservation Foundation. This month, 650 calls are coming in to the hotline each and every day. And nearly half of those turn into counseling sessions. That's 19,000 calls a month. Please pass it on, 888-995-HOPE.

We'll also be establishing foreclosure intervention programs in cities with the highest foreclosure rates and helping to train and certify more foreclosure counselors all through our partnership with NeighborWorks America. And as part of the Mortgage Bankers

Association's ongoing financial literacy effort, we have retooled and relaunched our consumer website, The Home Loan Learning Center, offering tools and information to help consumers decide which mortgages are best for them. The resources include toll free numbers, e-mail addresses, and ways to contact their servicers. I'm pleased to report also that the Spanish version of the site is now being launched as well.

Now, what about prevention? To prevent, we need to once again identify the problem: unethical people. They're responsible for this mess. The short-term folks, people who get a commission when the deal happens. For them, it's the number of loans that count -- good loan, bad loan, who cares? For them, it's all about their commission.

You know how I define a customer for life? Someone I helped buy their second home seven years after their starter home. A third home when they have kids, a downsize home when their kids leave, or a retirement or a vacation home. That's how most of us define a lifetime customer. Four, maybe five transactions each made possible by the previous one. For the people who caused this problem, there's no such thing as a lifetime customer. The closest they get is someone you refi every six months until they sink. They, not people with marginal credit, are the ones who need to be stopped.

Frankly, it's too easy to hand a shingle out and call yourself an expert in mortgages. We need licensing of brokers. With a threshold that will weed out those unwilling to be responsible, to be held accountable. Some cross the line into pure fraud and for them, we have laws. But as long as there are scam artists willing to look someone in the eye and say, "I'm going to get you something for nothing," people will be hurt.

So do we just throw up our hands? Or do we arm the people who can be vigilant, the people there will always be enough of? The consumers -- arm them with the facts. make them savvy before it's too late. Consumers are smart. Armed with good information, they make intelligent choices. Give them easy access to tools and information that clarifies what is admittedly a way too complicated process. People should be able to know and understand what they're getting into.

I characterize the real estate finance industry as complex, intricate and the envy of the world at the beginning of this speech. But for all its accomplishments, it can be improved significantly. If it's not comprehended by consumers, it will always be subject to abuse. Consumers can't shop what they don't understand. Let's not allow the potential for abuse deprive someone of the opportunity of building financial security of having a home. Indeed, let's simplify the process for consumers.

That's why MBA launched Project Clarity in 2006, an initiative to simplify and demystify the mortgage process. Let's face it, all those documents that are for consumers, that we see their protection at closing, don't protect consumers at all. There are too many to read and they are too hard to understand. We're working on up-front documents that clearly state the pros and cons of the variety of loans available today.

Having the chance to tell you these stories, to talk about what our industry has done and is doing, actually has been pretty good therapy for me today. I'm focusing less on the bad actors who caused this and more on the millions of people we've helped and are still helping, like Mr. Nguyen (sp); like Judy in West Palm Beach, who lost her home in a divorce and incurred a lot of debt. Then, on her own, using a subprime loan, she rebuilt both her credit and her wealth.

Their stories take me back to one of my very first originations. The realtor had left the keys to the house with me and asked if I could drop them off to the buyers once all the paperwork was done. Well, I went to their apartment and we were sitting around a little formica kitchen table, bright red, and I handed them both the keys, at which point they both started crying. They said they never imagined they would own their own home.

That was 37 years ago. And, you know, it just never leaves you. There isn't a day that goes by that I don't stop and think about that scene going on thousands of times across this country. And that's why, despite my temporary black eye, I'm proud to be a mortgage banker.

Thank you. (Applause.)

MR. DONNELLY: Thank you, Mr. Robbins.

We have a lot of really good questions for you, some of which you'll like, some of which you won't like.

MR. ROBBINS: (Laughs.)

MR. DONNELLY: (Laughs.) But you knew that. I'm going to organize them as well as I can, starting out with questions that relate to the individual homeowner and then broadening to maybe some of the legislative and regulatory solutions, or nonsolutions, as the case may be.

First of all, what do you suspect is the cause of most home mortgage delinquencies?

MR. ROBBINS: Without a question, unemployment is the major driver of home ownership delinquencies, causing in excess of 40 percent of those types of delinquencies and foreclosures, followed next by divorces, people who become ill, and fourth, people that don't manage their credit well.

MR. DONNELLY: In a new survey, Freddie Mac, the Federal Home Loan Mortgage Corporation, reported that last year's 36 percent delinquency rate of subprime mortgage loans was due, in substantial part, to excessive debt, in addition to mortgage obligations. So why don't subprime lenders take this additional personal debt into consideration before approving mortgage loans at elevated interest rates?

MR. ROBBINS: The players that didn't are no longer with us. The market is a very efficient tool. It has moved, as I had said, conservatively back to a level where those are very much in consideration when loans are made in the subprime world today.

MR. DONNELLY: You defend subprime lenders as helping immigrants without a credit history in the purchase of a home. But how did immigrants in the past, especially European immigrants, become first-time homeowners before the boom of subprime lenders?

MR. ROBBINS: They generally -- those that could afford to do so -- and not all could -- accumulated a traditional 20 percent down, waited years and years and years to obtain home ownership when they had the possibility to do that. But then home ownership was for the wealthy and for the powerful, not for the masses.

MR. DONNELLY: What should mortgage-holders do once they realize they may be in trouble? How can they improve their chances to avoid final foreclosure?

MR. ROBBINS: Again, this is an area that you can help the Mortgage Bankers Association dramatically. We need the message to get out loud and clear: contact your servicer; that's the person that you write the monthly check to. If you even think that there is a chance that you're going to run into some financial hardship, and as soon as we can get people to either call the 888 number, the Home Loan Learning Center on the MBA website, or counseling agencies throughout the United States, the faster that the Mortgage Bankers Association and its servicers can set up loan modification programs or to use loan mitigation techniques, which are, in large part, highly successful in helping them through a difficult financial period.

MR. DONNELLY: You talked about Project Clarity and trying to help consumers find their way through the often or usually inscrutable process of buying a home. Tell us a little bit more about specifically what kinds of ways you're going to translate this into plain English. And I got a few questions on that. One particular questioner says, "What would you propose to make the mortgage process more understandable to consumers going through it for the first time that might prevent some of these problems?"

MR. ROBBINS: I would recommend, first and foremost, that we call on Congress for a mandate that says that those involved directly in the process come together and redesign the paperwork, the system -- RESPA, as an example -- so that it is clear, understandable and transparent.

Project Clarity was aimed at that. It was a way to say, "This is what your monthly payment is. If you chose an adjustable rate mortgage, this is where it's going to on its first reset, and here's where it could go to in its lifetime." So knowing that people make mortgage decisions based on monthly payment and affordability, they could clearly see what the risk of this mortgage was and make an educated, financially literate decision when they chose their mortgage product.

MR. DONNELLY: How do you propose your industry police itself from those you call unethical actors? Isn't the drive for greater profits too great to contain these practices?

MR. ROBBINS: Well, the Mortgage Bankers Association is not a judiciary body. But there are ample laws on the books to enforce the real bad actors in this industry. We need those laws enforced. The Mortgage Bankers Association is very proactive on the anti-fraud campaigns that you've seen.

Partnering with the FBI, we've signed recently a memorandum of understanding with them in pursuit. We're calling for an additional 35 agents to be hired to pursue investigation of mortgage fraud. And we're calling for a national standard be adopted throughout the industry that talks about managing mortgage brokers, talks about clarity in the mortgage process, brings a national standard so we do not have a plethora of state laws that are very, very difficult to operate under.

MR. DONNELLY: Just to clarify, is that a standard for ethical behavior or professional ability or what kind of standard are you referring to?

MR. ROBBINS: No, it's a standard that basically would say these are the rules for lending on a national basis. It's not a standard that talks about underwriting or underwriting levels. It's a standard that says these -- this is the conduct -- these are the rules, if you will, on which mortgages would be originated. It's a conduct that talks about licensing of mortgage brokers so that there is a minimal competency test -- ongoing education -- a relationship established to the borrower for that important group of originators so that all across the country, instead of this hodgepodge of laws which are all different that we have to operate under, we have one clear concise set of rules that controls the whole industry.

MR. DONNELLY: This person writes, "You blame the current subprime contrast -- excuse me, the current subprime crisis on a handful of bad actors. But hundreds of mainstream lenders offered the most controversial adjustable rate loans -- 228s, et cetera -- that are set to soon reset their interest rates and price borrowers out of their homes." Did your mortgage company offer these loans, and how can you say this isn't a systemic problem?

MR. ROBBINS: Hundreds is an interesting number. Yes, there were subprime lenders that offered these products. Again, those that became too aggressive have been punished about as severely as you can. Their shareholders were wiped out and their companies no longer exist. But let's go back to the 3 million Americans who enjoy home ownership today because they have a subprime loan, or the million (sic) of Americans just last year that used this product. Underwriting became too aggressive, absolutely, especially in the 2006 book of business, but those that were most aggressive have been punished and paid the price.

MR. DONNELLY: Why shouldn't unscrupulous brokers or lenders be exposed to lawsuits? Explain why you think mortgage brokers should be held to a lower fiduciary standard than other financial product professionals.

MR. ROBBINS: Because mortgage bankers are already licensed most of them. Office of the Controller of the Currency, Fannie Mae, Freddie Mac, FHA -- we sign warranties and representations to those organizations that we must comply with. We actively repurchase loans that are not within their guidelines. FHA required the repurchase of over 1,000 loans by lenders -- mortgage bankers -- just last year. So we also live with long-term contingent credit risk on the loans if they go bad.

As I had said, we lose $40,000 to $50,000 for every foreclosure. That's why economically our interests are closely aligned with creation of successful borrowers -- borrowers who are lifetime customers. Under testimony, the mortgage brokers said they are independent contractors. They have no relationship or responsibility to either a borrower or a lender. And so what we're saying is if you really want a long-term fix to this issue, all people who provide lending opportunities to our consumers -- to Americans interested in home ownership -- ought to be regulated in some form or fashion.

MR. DONNELLY: What percentage of mortgage bankers' profits last year was derived from subprime loan interest and fees?

MR. ROBBINS: I have no clue. I'm not a subprime lender. I have no statistics that say what percentage, although I can tell you nobody's making any money today.

MR. DONNELLY: Is there a bill in Congress on the subprime issue that you would support right now?

MR. ROBBINS: We do not believe that mandating or legislating underwriting standards is an appropriate direction, and here's why. Because if we do that, as I had said the market has already adjusted. That means relative to the loans being made today, and you heard me say this, it's the highest quality loans that have been made in 10 to 15 years in this industry. The pendulum has already swung back, eliminating the most aggressive of those programs and punishing the people that were the most aggressive. So if we take that and either through regulation or legislation, that pendulum is pushed further. What really happens is the credit crunch we talk about. That means millions of Americans who are creditworthy -- who want -- they want their piece of the American dream -- they want to put their stake in the ground -- will be denied access to that credit, and this industry will go back, okay, to an industry that provides credit only to the wealthy and the powerful.

MR. DONNELLY: Senator Schumer has a bill that would provide I think it's $300 million to nonprofits to help pay the debts of people at risk of foreclosure. What's your view of that?

MR. ROBBINS: Our belief is that the industry has the capacity and the ability to deal with the issue, first and foremost through loan modifications. The industry is not resource-constrained and have -- and actually handling the number of foreclosures that go through, number one, and a loan modification is a very effective tool. Remember, clearly half of the loans going into foreclosure never end up going completely through the process. Number two, the industry has the resources, again, relative to its ability to refinance, both with the Federal Housing Administration and certainly the governmentsponsored enterprise -- or entities who just recently said that they had the ability to refinance a significant number of these. So both on the servicing side and on the refinance side, the tools are available to handle the problem.

MR. DONNELLY: What do you expect the Barney Frank subprime bill to look like, and do you expect any legislation to come out of the Senate?

MR. ROBBINS: It's interesting. The Barney Frank bill -- we expect to take one of the state models and use it as an example to draft legislation. We believe that, at least in my contact with many congressmen, that they really get the issue that overregulation is a bad thing, and they understand that ultimately that has an effect on people wanting to buy homes, most specifically low to moderate income buyers and first time homebuyers. So guardedly optimistic that the bill will come out, but that the bill will be something that the industry can live with and ultimately benefits consumers. The Senate bill is a little more complicated. You know, Senator Dodd has said that he wants to use regulators as a primary vehicle. And so, you know, the real outcome of that is yet to be seen.

MR. DONNELLY: Apparently the regulators have some subprime guidance -- some final subprime guidance. What if any changes do you see happening to that when that comes out?

MR. ROBBINS: I can tell you what we hope doesn't happen, and that is specifically in the 228 and 327 product. You've seen a call to qualified people -- that's what's known as the fully indexed trade. Well, here's the problem with that. It sounds like a simplistic cure. It sounds like the right thing to do. But what about the millions of people that are already in those loans? You let them in the door using one standard, and then when it comes time to refinance to get out of that loan, you raise the bar and shut the door on a large percentage of them, exasterbating (sic) the delinquency and foreclosure issue. So what we hope is that they take a realistic view and allow the industry the tools to deal with the issue and not try and regulate or legislate it.

MR. DONNELLY: Does the Mortgage Bankers Association have a Borrowers Bill of Rights? And if not, wouldn't this be a good idea for both borrowers and lenders?

MR. ROBBINS: We have a Borrowers' Bill of Rights and actually we have a -- forms that lenders have signed, talking about integrity and standards.

MR. DONNELLY: We're almost out of time, but before asking the last question we have a couple of important matters to take care of. First of all, let me remind our members of future speakers. On May 25th, we have Dr. Martha Burke, feminist and director of the Corporate Accountability Project, to discuss women's issues in the 2008 campaign. On May 30th, John E. Potter, postmaster general and CEO of the U.S. Postal Service will discuss the future -- it's in the mail. June 4th, Alphonso Jackson, secretary of the U.S. Department of Housing and Urban Development.

And secondly, I would like to present our guest with traditional gifts from the National Press Club. First of all, a certificate of our appreciation and recognition of your appearance; and secondly, the coveted National Press Club mug. (Laughter.) You don't even have to put coffee in it. (Applause.)

And then the last question I have for you is when did you buy your first home, and how much did it cost? (Laughter.)

MR. ROBBINS: We bought our first home in approximately 1970. It cost $17,500. I used my VA entitlement to do it. Absolutely a true story. It was a time early on and we got a little over our ski tips when we bought this, but we lived on beans and weenies at the end of the month to make sure we could make that house payment. Thank you.

(Applause.)

MR. DONNELLY: Thank you. I'd like to thank you for coming today. I'd also like to thank National Press Club staff members Melinda Cooke, Pat Nelson, Jo Anne Booz and Howard Rothman for organizing today's lunch. Also, thanks to the National Press Club Library for its research. The video archive of today's luncheon is provided by National Press Club Broadcast Operations Center. Press club members also can access free transcripts of our luncheons from our website, www.press.org. Nonmembers may purchase transcripts, audio and videotapes by calling 1-888-343-1940. And for more information about joining the National Press Club, contact us at 202-662-7511.

Thank you, and we are adjourned.

(Gavel sounds, applause.)

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