

Citigroup finally expands mortgage modification staff, but is it too late?

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Citigroup (C) has hired [1,400 more employees to ramp up its mortgage modification troops](#) and work more quickly with homeowners who could benefit from President Obama's Home Affordable Modification Program.



But, unfortunately for many homeowners, it may be too little too late. [Banks have been dragging their feet](#) on implementing this program since it was first announced in February.

Today the *Wall Street Journal* reports that the ["cure rate" for mortgages that were packaged in securities dropped](#) dramatically. The cure rate is the portion of delinquent loans that get back to current status payment each month.

Fitch Ratings found that the cure rate for prime loans dropped to 6.6 percent in July from an average rate of 45 percent for the years between 2000 and 2006. Alt A loan's cure rate dropped to 4.3 percent from 30.2 percent. These are a category of loans between prime and subprime. Subprime loans were already pretty low, but they dropped too from 19.4 percent to 5.3 percent. The Fitch study covered about \$1.7 trillion of mortgages held in securities, which is about 16 percent of the mortgages outstanding.

While Citigroup and others dragged their feet in starting loan modification programs, the financial situation worsened for many people as house prices continued to fall thanks to the overload of foreclosures on the market and continuing job losses. With few jobs out there, people who have been laid off for six months or more have little chance of being able to cure their mortgages unless they have significant savings from which to draw. At the same time, house prices continue to fall, leaving more and more people with homes underwater -- their homes are now worth less than what's due on their mortgages. What's the incentive for curing an underwater mortgage?

With all the delays, the only good news for those in trouble with their mortgages is that the backlogs and delays also delay the foreclosure process. People who quit paying may be able to stay in their homes for a year before being evicted.

Other good news is that the Mortgage Bankers Association's index of new foreclosures dropped in the second quarter for the first time in three quarters and the second time in three years. That may be a sign that Obama's program is finally having some positive effect.

A [report](#) issued by the Treasury Department in July showed that JP Morgan Chase (JPM) had the highest participation rate at 20 percent, with Citigroup in second place at 15 percent. Wells Fargo (WFC) only had a participation rate of 6 percent and Bank of America (BAC) was in the worst position with a participation rate of 4 percent. Given that JP Morgan, which paid off its TARP loan, has been the most cooperative, it shows that

TARP did little to encourage the banks to help Main Street.

Citigroup has been pulled into this effort kicking and screaming. It's the second time the government had to use pressure to get Citigroup to cooperate. Earlier this year FDIC's Chairman Sheila Bair pressured the bank to participate in her agency's "mod-in-a-box" program. Maybe Citigroup, Wells Fargo and Bank of America would not have needed so much government help if they had acted more quickly to help stem foreclosures.

Lita Epstein has written more than 25 books including The 250 Questions You Should Ask Before Buying Foreclosures.

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