

Obama Administration Record on Helping Responsible Borrowers Stay in Their Homes and Stabilizing the Housing Market

“I’ve been saying that this is a make-or-break moment for the middle class. And this housing crisis struck right at the heart of what it means to be middle class in America: our homes -- the place where we invest our nest egg, place where we raise our family, the place where we plant roots in a community, the place where we build memories. It’s personal. It affects so much of how people feel about their lives, about their communities, about the country, about the economy. We need to do everything in our power to repair the damage and make responsible families whole again.”

-President Obama, February 2, 2012

When the President took office, the country was facing the worst housing crisis in generations. In response, the President took the first sustained efforts to help borrowers stay in their homes to help support the economy and stabilize the housing market. While the government cannot fix the housing market on its own, the President believes that responsible homeowners should not have to sit and wait for the market to hit bottom to get relief when there are measures at hand that can make a meaningful difference. That’s why the Administration has taken efforts that help responsible homeowners save hundreds of dollars per month, reduce foreclosures so families can stay in their homes, and support the hardest-hit communities.

- **Helping Responsible Homeowners:** The Administration has taken action to help responsible borrowers refinance their mortgages – saving on average \$3,000 per year – and provide tax credits for Americans looking to purchase a home:
 - **Providing Support for Borrowers Refinancing Their Loans, Saving Hundreds of Dollars Per Month:** With interest rates at record lows, homeowners can save hundreds of dollars a month by refinancing their loans. However, many borrowers who are current on their payments have been unable to access refinancing – even when doing so is in the interest of them, their lenders, and the taxpayer. In response, the Administration created the Home Affordable Refinance Program (HARP). This program has helped more than a million borrowers to date and, to boost participation further, the Administration announced changes last fall to eliminate barriers that prevent additional refinancing.
 - **Putting Forward a Plan to Further Expand Access to Refinancing:** On February 1, the President announced a legislative plan to build on these changes to expand access to refinancing for responsible borrowers. The plan would remove the remaining barriers in the HARP program, so that all those with loans insured by Fannie or Freddie who have been paying their mortgage on time will have access to simple, low-cost refinancing. It would also create a similar program for those families whose loans do not happen to be guaranteed by Fannie or Freddie. Together, these steps would mean that no responsible borrower is locked out of today’s low interest rates just because home prices in their neighborhood have fallen. This would provide approximately 11 million families with loans insured by Fannie and Freddie

and between 3 and 4 million families with non-GSE loans with the opportunity to save thousands of dollars a year.

- **Extending the Homebuyer's Tax Credit:** The President extended and expanded the Homebuyer's Tax Credit, which was first passed in 2008. Under the Homebuyer's Tax Credit, 2.5 million families who purchased homes received relief.
- **Reaching Landmark Agreement to Provide Financial Relief for Responsible Homeowners and New Homeowner Protections:** The Federal Government and 49 state attorneys general reached a landmark agreement of more than \$25 billion with the nation's five largest mortgage servicers – Bank of America, JP Morgan, Citigroup, Wells Fargo, and Ally Financial – to address mortgage loan servicing and foreclosure abuses. Of the sum, \$20 billion is dedicated to relief for homeowners; including \$10 billion to reduce principal for borrowers who owe more on their mortgages than their homes are worth, making it easier for them to avoid foreclosure. The remaining \$5 billion will go to state and local governments to provide cash payments to borrowers whose homes were sold or taken in foreclosure, as well as fund housing counselors, legal aid, and other uses at the discretion of state attorneys general.
- **Reducing Foreclosures to Stabilize the Market:** Shortly after taking office, the Administration created the Home Affordable Mortgage Program (HAMP) to provide homeowners who are behind on their payments an opportunity to modify their mortgages to reduce their monthly payments and avoid foreclosure. Since early 2009, these efforts have resulted in about twice as many mortgage modifications as foreclosures, while the rate of new foreclosures has been cut in half.
 - **Supporting Modifications for More Than 4.9 Million Borrowers – Twice the Number of Foreclosures:** In addition to providing over 950,000 permanent modifications to borrowers, HAMP jumpstarted private-sector efforts to help more borrowers stay in their homes. When private sector modifications, FHA loss mitigation, and HAMP modifications are combined, more than 4.9 million borrowers have had their mortgages modified since April 2009 – about twice the number of foreclosures in that time. In that time, the rate of foreclosure starts has dropped by half.
 - **Offering 12-Month Forbearance for Unemployed Borrowers:** In July 2011, the Administration announced that borrowers in HAMP and FHA who lose their jobs would be provided with 12-month forbearance on their payments to allow them to stay in their homes while they looked for jobs – up from four months in FHA and three months in HAMP. In response to the Administration's efforts, 12-month forbearance is becoming an industry standard, with Fannie Mae and Freddie Mac now applying it to mortgages they guaranteed and Wells Fargo and Bank of America now offering it as their default approach for loans they own.

- **Revitalizing the Hardest-Hit Communities:** In the communities that have experienced the sharpest decline in home prices, the impact on families and the economy has been particularly severe. To help the hardest-hit communities recover from the housing crisis, the President has taken action including:
 - **Using Proven Strategies to Put Workers Back on the Job Rehabilitating Vacant and Foreclosed Properties:** The President expanded the Neighborhood Stabilization Program which is providing \$7 billion in funding to communities to manage the vacant and foreclosed residential properties that are creating blight and bringing down local home values. The program has made investments in 13,000 neighborhoods across 48 states, reducing local foreclosure rates and helping these communities turn the corner toward recovery. As part of the American Jobs Act, the President proposed Project Rebuild, which will build upon the successes of this program to invest \$15 billion in proven strategies that leverage private capital and expertise to rehabilitate hundreds of thousands of properties in communities across the country.
 - **Providing Resources to the Hardest-Hit States to Support Innovative Strategies to Prevent Foreclosures:** Under the Hardest Hit Fund program, the Administration is providing \$7.6 billion to 18 states and the District of Columbia, which represent the areas hardest hit by the housing crisis. Approximately 70 percent of the Hardest Hit Fund programs target assistance toward unemployed homeowners, with much of the remainder targeting those with homes that are worth less than the value of their mortgage.
 - **Taking Steps to Sell Foreclosed Properties to Convert into Rentals:** Together, Fannie Mae, Freddie Mac, and the FHA own almost half of the nation's total real-estate-owned inventory acquired by lenders through default. Because vacant and foreclosed homes undermine housing prices, the Administration is moving to transition these properties into rental housing. On February 1, the Federal Housing Finance Agency announced the first major pilot sale of foreclosed properties into rental housing.
- **A Homeowner Bill of Rights so That Everyone Plays by the Same Rules:** The housing crisis revealed that the mortgage servicing system is badly broken, resulting in some cases in unnecessary foreclosures that are harmful to both families and the economy. The President has put forward a single set of standards that borrowers and lenders alike can follow to meet their responsibilities and understand the terms of their commitments:
 - **Developing Simple, Easy to Understand Mortgage Forms:** To help ensure that every prospective homeowner has access to clear, straightforward forms that help inform rather than confuse them, the Consumer Financial Protection Bureau (CFPB) is developing a simple mortgage disclosure form to be used in all home loans, replacing overlapping and complex forms that include hidden clauses and opaque terms that families cannot understand.

- **Creating a Single Set of Standards That Better Serve Borrowers, Lenders, and the Housing Market:** In addition to access to simpler mortgage forms, the Administration has released the Homeowner Bill of Rights, which includes protections meant to prevent hidden fees and penalties, stop conflicts of interest, provide assistance to at-risk borrowers before they fall into foreclosure, and offer safeguards – like a right of appeal – against inappropriate foreclosure. The Administration will make sure that all those with government insured loans have these protections and will work with regulators to expand them to all borrowers.