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Monday, March 7, 2011

"Repeal-But-Don't-Replace" - Ending Foreclosure Programs

On Friday, March 4, 2011, [we informed you of HUD's notice to reinstate the Emergency Homeowners' Loan Program \(EHLPP\)](#), effective April 4, 2011. EHLPP provides emergency relief to homeowners experiencing temporary involuntary loss of employment or underemployment resulting in a substantial reduction in income due to adverse economic conditions, and who consequently are financially unable to make full mortgage payments.

However, on March 3, 2011, virtually coinciding with HUD's Federal Register notice about its interim rule to reinstate EHLPP, [the House Financial Services Committee approved bills to terminate both the FHA Refinance Program and the Emergency Mortgage Relief Program](#).

In Congressional Newspeak, these two bills are the "Emergency Mortgage Relief Program Termination Act" (HR 836), and the "FHA Refinance Program Termination Act" (HR 830).

"Ineffective Foreclosure Programs"

Under the rubric *Committee Votes To End Failed And Ineffective Foreclosure Programs*, the Committee issued a Press Release late in the day on Thursday, March 3, 2011, about the termination bills.

The Committee believes that the elimination of these two programs -- the FHA Refinance Program and the Emergency Mortgage Relief Program -- provides \$9 billion in savings.

Emergency Mortgage Relief - Committee's View

The Emergency Homeowner Relief Program provides loans to unemployed borrowers for a period of 12 months, with a possible 12 month extension. These loans increase the amount of the borrower's indebtedness, so a borrower who is unable to pay back either the original amount of principal or the additional loans made under the program will be worse off in the long run. Those borrowers derive no benefit from the program, and the government will suffer losses from their eventual defaults.

The Obama Administration, in its FY 2012 budget proposal, estimates the program to have an almost 98 percent subsidy rate.

This means for every \$1 spent, the government will lose 98 cents. Also, HUD regulations set up a process where the bridge loan can be forgiven over a five-year period.

FHA Refinance Program - Committee's View

The FHA Refinance Program, announced in March 2010 by the Obama Administration, modifies underwater loans into the FHA program.

Although more than \$8 billion in TARP funds have been obligated for the FHA Refinance Program, only \$50 million has been disbursed and only 40 applicants have been refinanced.

Push-Back

[Carolyn Maloney](#) (D-NY) introduced an [amendment to HR 830](#) requiring 500,000 additional underwater mortgages to be refinanced by the Federal Housing Administration before the refinance program is terminated.

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[Mrs. Maloney stated](#) that "nationally, 2.3 million mortgages are underwater, or 22.5% of all outstanding mortgages. If we can help 500,000 of those, we have made an enormous difference in the lives of people who are struggling to keep their homes and make their mortgage payments each month."

[Maxine Waters](#) (D-CA) in a Press Release ("[Congresswoman Waters Blasts Republicans for Voting to Dismantle Programs that Help Homeowners Avoid Foreclosure](#)") stated that:

"Republicans voted to terminate the Federal Housing Administration (FHA) Short Refinance program. Under the program, investors agree to write down at least 10 percent on the borrower's mortgage. In exchange, the borrower is refinanced into an FHA loan. Borrowers must be current on their mortgage, and federal funds are only spent in the event of a borrower default.

The program is an important option to have available for borrowers and numerous institutions, including Wells Fargo and GMAC/Ally, have recently agreed to participate in the program.

Republicans also voted to end the Emergency Homeowners Relief Program, which provides low-cost loans to unemployed homeowners to help them pay their mortgage. It is based on a highly successful program in Pennsylvania, which has helped 42,700 people since 1983. Congresswoman Waters was instrumental in getting this program included in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010."

Mrs. Waters concluded her remarks with these words:

"This is just part one of the Republican assault on homeowners and working-class people. The same attitude that led Speaker Boehner to say 'so-be-it,' in response to news that the Republican budget would eliminate jobs, is fueling the Republicans' '[repeal-but-don't-replace](#)' agenda on foreclosure assistance."





What's Next?

[This week, the Committee will take up plans to terminate two other government foreclosure programs:](#)

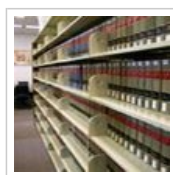
- [Home Affordable Modification Program \(HAMP\)](#)
- [Neighborhood Stabilization Program \(NSP\)](#).

In Congressional Newspeak, these termination bills are, respectively:

- [The HAMP Termination Act of 2011](#) (HR 839) 
- [NSP Termination Act](#) (HR 861) 



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Committee Votes To End Failed And Ineffective Foreclosure Programs

House Committee on Financial Services, Press Release, 3/3/11

FHA Refinance Program Termination Act

HR 830 (2/28/11-3/3/11)

Emergency Mortgage Relief Program Termination Act

HR 836 (2/28/11-3/3/11)



Labels: [Carolyn Maloney](#), [EHLP](#), [Emergency Homeowners' Loan Program](#), [FHA Refinance Program](#), [Foreclosures](#), [HAMP](#), [Home Affordable Modification Program](#), [Maxine Waters](#), [Neighborhood Stabilization Act](#), [NSP](#)

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