NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

FOR IMMEDIATE RELEASE
March 26, 2010

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Washington, DC – Today the Obama Administration will announce changes to the Home Affordable Modification Program (HAMP) and to FHA. John Taylor, president & CEO of the National Community Reinvestment Coalition made the following statement:

"The Administration has once again shown their willingness to go back to the drawing board to address programmatic challenges. The enhancements announced today will be helpful to unemployed borrowers and some homeowners who find themselves underwater."

"But I'm not optimistic that the incentives will be enough to entice servicers and investors to reduce loan principals. Will they help seven million people who are at risk of foreclosure? I will be pleasantly shocked if investors step up for half a million borrowers. The real acceleration in the number of foreclosures prevented will come with mandatory principal writedowns."

"We continue to tinker around the edges of foreclosure prevention. We rush to give banks tax breaks, but we dawdle to help homeowners who through no fault of their own lost their jobs because of the economic crisis or bought defective loans that caused the economic crisis."

"Let's not be so quick to forget that we bailed out banks, but we've nickeled and dimed innocent borrowers. Moral hazard? The moral hazard is allowing borrowers to pay the price for the crimes of Wall Street."

The changes to HAMP and FHA will include:

- Loan forebearances for unemployed homeowners for a period of 3-6 months, with a recommendation to servicers that they apply 31% of actual income (such as from unemployment benefits) towards the note.
- A requirement that servicers consider principal reduction as one option for borrowers as they conduct a Net Present Value test, but no requirement to do so. The program will provide new incentives to

servicers for principal reductions. Borrowers will receive a principal reduction over three years under a "pay for success" plan.

- A new loan product offered through FHA approved originators, that will allow non-FHA mortgages that are underwater to be refinanced into a guaranteed loan product. FHA will refinance up to 97% of home value, with a second lien up to 115%. Borrower eligible for this program must have a minimum credit score of 500 and their total debt to income existing investors must agree to pay off at reduced amount. Total debt-to-income must be no more than 31%. Consumers must be current on their loans. Some strategic default and unemployed homeowners will qualify.

- Expanded incentives – as much as double – for second-lien extinguishment.