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While HAMP Program Continues to Fail, Treasury Hides the Ball

Washington, DC – A new report from the Congressional Oversight Panel shows that the Administration’s leading foreclosure prevention program, the Home Affordable Modification Program (HAMP), will modify less than 5% of the loans that will go into foreclosure by program end. An estimated 8 to 13 million foreclosures will take place by 2012. The report also shows that the program will only spend a fourth of the $50 billion allocated. John Taylor, president & CEO of the National Community Reinvestment Coalition had this to say:

“As we approach the holidays, millions of Americans facing foreclosure can find no comfort in the idea that the government is doing everything it can to help them. The statements of Treasury officials regarding the foreclosure crisis sound hollow, as if they’ve given up trying. They’re not even going to use all of the resources available to them. Instead of recognizing and improving poor performance, they’re acting out an elaborate shell game, in which they hide the ball from the real problem: millions of Americans are heading to foreclosure, and the solution isn’t working.”

“The Administration needs to stop acting like it doesn’t have the power to stem the foreclosure crisis. I’d like to see a prime time address from the President on this issue. Stemming the foreclosure is critical to economic recovery, and it would also help reestablish the trust of the American people that government helps solve their problems. The Administration has more than the bully pulpit to address this problem; they have many very powerful tools to bring to bear,” said Taylor who, beginning in 2007, told the Bush Administration and then the Obama Administration that banks would not voluntarily assist borrowers in a meaningful way and that a mandatory effort should be put into place to stop foreclosures.

“HAMP needs to be revamped and made more effective. But more importantly, the Administration cannot continue to rely on a voluntary approach to this problem, and they must address principal reduction. Through the Federal Reserve, the GSEs or the FHA, the government has control over almost the entire mortgage market. These institutions could write down loans they currently hold, or remove their willingness to lend, purchase and securitize loans, unless the industry does more. Through these entities, the government has the power to force the industry to write down principal and prevent unnecessary foreclosures,” said Taylor.
“The idea that HAMP has succeeded because it promoted more private loan modifications gives only faint comfort. There is little data to support the idea that private modifications are quality, sustainable fixes. We want solutions that don’t simply kick the can down the road, but result in affordable and sustainable loan modifications. This is yet another attempt to draw attention away from HAMP’s poor performance,” said Taylor.

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The National Community Reinvestment Coalition is an association of more than 600 community-based organizations that promote access to basic banking services, including credit and savings, to create and sustain affordable housing, job development and vibrant communities for America's working families.