



## Consumer Federation of America

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### **Administration Loan Modification Changes are “Very Positive,” Says CFA Housing Expert**

The Obama Administration’s announced changes to its *Making Home Affordable* mortgage modification program are a welcome adjustment to the changing realities of the housing market and beleaguered consumers, Consumer Federation of America’s review concludes.

“These changes realign the Administration’s program to respond to the changed market realities since HAMP was first announced last year,” said Barry Zigas, Director of Housing Policy for Consumer Federation of America. “Borrowers who are unemployed and those that find their homes are worth far less than the remaining debt on them are now those driving delinquency and default numbers,” Zigas noted. “These changes will help make HAMP a much more relevant response and increase the chance that modifications under the program will ultimately succeed.”

The Administration today announced a series of changes to their mortgage modification program. These include the following:

- Requiring participating servicers under HAMP to offer at least 3 months’ forbearance of mortgage debt for unemployed borrowers, and encouraging such assistance for up to 6 months.
- Requiring participating servicers to use principal reduction as a primary means of reducing borrowers’ payments where loans are more than 115 percent of the current home value.
- Offering borrowers that are current on their mortgages but with debts greater than their home’s current value the opportunity to refinance into a lower cost, long-term fixed rate mortgage insured through the FHA if the current lender will agree to reduce principal owed by at least 10 percent and the total combined debt including any second liens would be no greater than 115 percent after the refinancing.
- Requiring HAMP servicers to work with borrowers in bankruptcy on mortgage modifications, and waive the trial period for such modifications if consumers have been successfully performing under bankruptcy settlements.
- Increasing the incentives to get second lien holders to reduce their claims to facilitate modifications.

- Clarifying that HAMP servicers must suspend all foreclosure actions and notices for borrowers that have sought modifications or are in trial modification periods, and requiring a written certification that a borrower is not HAMP eligible before an attorney or trustee can conduct a foreclosure sale.

Many of these changes have been advocated by CFA and other consumer organizations for some time, Zigas noted. “We are pleased that the Administration has listened to and acted on the advice of advocates, counselors and others that have been struggling to help responsible homeowners keep their homes,” he noted. “As time goes by, circumstances may require further changes, and the Administration’s openness to our suggestions now is very gratifying.”