



Consumer Federation of America

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CFA RESPONDS TO PRESIDENT'S HOME REFINANCING PROPOSAL

Congress Needs to Join in Effort to Reduce Monthly Housing Costs for Consumers

Washington, DC – The Consumer Federation of America today praised President Obama's newly announced plan to help more consumers take advantage of record-low interest rates by refinancing their home loans, even if the home's current value has fallen below the outstanding debt.

"Homeowners who have been making their mortgage payments but saw the value of their homes slide because of house price deflation for which they are not responsible should be able to lower their payments," said Barry Zigas, CFA's Director of Housing Policy. "Today's proposal offers a sensible and modest federal 'helping hand' that is long overdue."

The plan would allow the Federal Housing Administration (FHA) to insure the underwater mortgages up to 140 percent of current appraised value. President Obama is proposing a new fee on banks to bolster FHA's reserves as part of the plan. This fee and authority for FHA to insure mortgages at these higher LTV ratios will require congressional action.

"Congress should act quickly on this request," Zigas said, "and join the Administration in a bipartisan effort to help America's homeowners reduce their monthly costs when they have been responsible borrowers in the past. American businesses and communities will see the immediate positive effects of this plan as consumers are freed to spend less on housing and more on other goods and services."

The President's announcement today also included new incentives for Fannie Mae and Freddie Mac and other servicers to offer distressed borrowers reductions of their outstanding principal as part of a loan modification. The proposal will triple the payments offered to servicers for carrying out modifications using principal reductions.

"Reducing principal has been shown to be an effective way to reduce current costs and help prevent borrowers from defaulting again. The Federal Reserve's recent white paper on housing recommended stronger incentives for such write downs, and we are pleased to see this initiative," Zigas said.

Obama also announced a "Homeowner's Bill of Rights" today. It includes many recommendations that CFA and others have been advocating for many months. "We are pleased to see the Administration embrace these recommendations," Zigas said.

"The announcement today that FHA is promoting bulk sales of foreclosed properties and conversions of some foreclosures to rentals is very welcome news. These initiatives should help communities that have been hit so hard in the crisis to recover," Zigas noted.

Consumer Federation of America is an association of nearly 300 non-profit consumer organizations that was established in 1968 to advance the consumer interest through research, education and advocacy.