

## **HAMP Changes Urgently Needed**

**September 2010**

### **HAMP Has Failed to Address the Foreclosure Crisis.**

The Home Affordable Modification Program, announced by President Obama's administration on March 4, 2009, was a laudable attempt to address a foreclosure crisis three times more severe than the depths of the Great Depression. Yet, a year and a half into the program, HAMP has still to reach a significant fraction of eligible homeowners. Reports by government oversight agencies, including the Special Inspector General for TARP, the GAO, and the Congressional Oversight Panel find failures in execution at every level of the program.

### **HAMP Lacks Accountability and Transparency.**

There is no remedy for a homeowner wrongly denied a HAMP modification, or one stranded in a temporary modification for months or years, as too many are. The core eligibility analysis under HAMP, the net present value analysis, is not yet available to the public, thus depriving homeowners of the ability to verify whether a servicer's analysis is accurate. Many servicers deny homeowners based on "investor non-participation," while refusing to identify the provisions of the contracts with investors that forbid participation. The escalation hotline sponsored by the U.S. Department of The Treasury ("Treasury") seldom offers beleaguered homeowners relief, usually offering homeowners nothing more than a restatement of the servicer's unsupported assertions.

Treasury still has not announced any penalties for servicer noncompliance. It is not clear whether any meaningful penalties for noncompliance could be imposed under the contracts Treasury drafted. No benchmarks for performance have been established.

### **HAMP Program Changes Would Improve Outcomes.**

While legislation is needed to reform the mortgage servicing system and align servicer incentives with those of investors and homeowners, the Administration could make several key changes to HAMP that would substantially expand its successes. These include:

- 1. Implement the Franken Amendment** to establish an Office of the Homeowner Advocate within Treasury so that homeowners have an advocate who can hold servicers accountable;
- 2. Make the NPV test totally transparent and available to the public** as soon as possible—as is required under Dodd-Frank financial reform bill;

3. **Require investor-based modification denials to be fully documented;**
4. **Mandate automatic conversions** of successful trial modifications and provide a reasonable means of repayment for homeowners who pay their trial modifications but are not accepted into permanent modifications for legitimate reasons.
5. **Require principal reduction** where consistent with Net Present Value (i.e., the investor benefits more from modification than from foreclosure) and require servicers of all second liens to reduce principal proportional to that of the first lien.
6. **Revise eligibility rules** to provide access to key target groups including unemployed homeowners, those in need of further assistance due to medical problems or divorce, and bereaved spouses and children who were not on the original loan.

**For more information,** please contact Alys Cohen ([acohen@nclcdc.org](mailto:acohen@nclcdc.org)) or Diane Thompson ([dthompson@nclc.org](mailto:dthompson@nclc.org)) of the National Consumer Law Center, at 202-452-6252.