

## **The Obama Administration Renews its Fight Against Foreclosures**

By Tom Ahmadifar

Upon taking office in 2009, the Obama administration wasted no time in attacking one of the primary issues facing the country, foreclosures. The administration introduced the Home Affordable Refinance Program (HARP) in an effort to help homeowners refinance their mortgages if they owed more on their home than the property is worth (also known as an “underwater mortgage”). Congress allocated \$50 billion for foreclosure prevention and the Obama administration projected that the program would help three to four million homeowners. Yet, to date, the program has only used \$1 billion and helped about 607,000.

Two of HARP’s primary goals were to boost finances for struggling families, and to unlock additional sources of spending for the economy. To qualify for HARP, Freddie Mac or Fannie Mae must have backed the mortgage and the homeowner could not owe more than 125% of the home’s value. In addition, the homeowner could not have missed any recent payments, and needed to provide a credit check, an employment check, and have the home re-appraised. In an effort to recharge the HARP program and re-attack the stagnant housing market, the Obama administration introduced changes to HARP this past October. The changes aim to make even more homeowners eligible for the program by allowing homeowners owing more than 125% to qualify. The mortgage must still be backed by one of the government mortgage agencies, and the homeowner still must not have missed any recent payments. The changes waive the requirements for the new home appraisal, proof of employment, and the credit check.

Under the new rules, HARP will be able to reach more homeowners than previously. The Wall Street Journal reported that experts estimate the new program could save homeowners \$24 billion annually and most of the benefits would go to working and middle-class homeowners.

The changes to HARP have also come under fire for both doing too much and too little. Banks are resisting the changes to HARP because the program’s savings could eat into banks’ profits. Meanwhile, several democratic members of Congress have expressed their frustrations with the changes. Congressmen Dennis Cardoza (D-Calif) and Elijah Cummings (D-Md) both stated that the changes still do not reach enough homeowners to help turn around the economy.

Like most initiatives of the Obama administration, HARP has not been without criticism and opposition. However, the changes are an attempt to revitalize the economy by aiding struggling homeowners and in turn, unlocking new sources of spending. As the administration continues to try new ways to re-patch the web of the American housing market, the second generation of HARP takes center stage.

#### Sources

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