



Expanding Our Efforts to Help More Homeowners and Strengthen Hard-Hit Communities

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Today, the Administration announced important enhancements to the Making Home Affordable Program, including the Home Affordable Modification Program (HAMP), to expand the reach of the program to help additional homeowners stay in their homes and strengthen hard-hit communities. These enhancements will provide additional relief to struggling homeowners, renters, and their neighborhoods to accelerate the housing market recovery and improve our overall economy.

The Administration is committed to a multi-pronged effort to support American homeowners to help heal our nation's housing market. This includes providing refinancing opportunities for responsible homeowners, transitioning foreclosed properties into rental housing to help reduce the overhang of unsold homes, and providing states hardest hit by the foreclosure crisis with resources to develop targeted relief programs that work for their communities.

To date, HAMP has helped more than 900,000 struggling families permanently modify their mortgage loans, providing them with a median savings of more than \$500 every month. For these families, this savings can mean the difference between keeping their home and foreclosure. These efforts have set the industry standard for successful modifications and have helped prompt private lenders to modify an additional 2.6 million mortgages. In total, public and private efforts have helped more than 4.6 million Americans get mortgage aid to prevent avoidable foreclosures since HAMP was launched.

When the MHA was announced in March of 2009, it was not easy to predict what would happen to the housing market by 2012. As we enter 2012, the housing market shows signs of recovery but is still fragile. The MHA programs have proven to be critical foreclosure prevention tools, setting new standards for the mortgage industry to follow. These enhancements will extend the reach of HAMP to a broader pool of struggling homeowners and provide more robust relief to those who participate:

- **Extending the Administration's Mortgage Modification Program.** In order to help more families at a time when many across the nation still need relief, the Making Home Affordable Program deadline will be extended for an additional year through December 31, 2013. This date conforms to the extended deadline for the Home Affordable Refinance Program (HARP).
- **Expanding Eligibility to Reduce Additional Foreclosures and Help Stabilize Neighborhoods.** Eligibility for HAMP will be expanded so that it reaches a broader pool of distressed borrowers. Additional borrowers will now have an opportunity to receive modification assistance through an additional evaluation process that provides the same homeowner protections and clear rules for servicers established by HAMP. This includes:

- **Ensuring that borrowers struggling to make ends meet because of debt beyond their mortgage can participate.** Many homeowners who have an affordable first mortgage payment struggle beneath the weight of other debt such as second liens and medical bills. Recognizing that many homeowners in this situation are still struggling to make ends meet, the program is being expanded to offer another evaluation opportunity with more flexible debt-to-income criteria to expand modification assistance to borrowers with higher levels of secondary debt who otherwise meet program requirements.

- **Preventing additional foreclosures to support renters and stabilize communities.** Treasury will expand eligibility to include properties that are currently occupied by a tenant as well as vacant properties which the borrower intends to rent. This will provide critical relief to both homeowners that live in their homes and those who rent their homes, while further stabilizing communities from the blight of vacant and foreclosed properties. Single family homes are an important source of affordable rental housing, and foreclosure of investor-owned homes has disproportionate negative effects on low- and moderate-income renters.

- **Increasing Incentives for Cost-Effective Mortgage Modifications that Help Borrowers Rebuild Equity in Their Homes.** Currently, HAMP includes an option for servicers to provide homeowners with modifications that include principal reduction, when a borrower owes significantly more on their mortgage than their home is worth. While not appropriate in all circumstances, principal reduction modifications are an important tool in the overall effort to help homeowners achieve affordable and sustainable mortgages. To further encourage investors to consider or expand use of principal reduction modifications, the Administration will:

- **Triple the incentives provided to investors who agree to reduce principal for borrowers:** To increase the amount of principal that is reduced, Treasury will triple incentives to investors, paying from 18 to 63 cents on the dollar, depending on the degree of change in the loan-to-value ratio.

- **Offer principal reduction incentives for loans insured or owned by the GSEs.** HAMP borrowers who have loans owned or guaranteed by Fannie Mae or Freddie Mac (the GSEs) do not currently benefit from principal reduction loan modifications. To encourage the GSEs to offer this assistance to underwater borrowers, Treasury has notified the GSEs' regulator, the Federal Housing Finance Agency (FHFA), that it will pay principal reduction incentives to Fannie Mae or Freddie Mac if they allow servicers to forgive principal in conjunction with a HAMP modification.

While the economy continues to show signs of recovery, the broader housing market remains fragile. HAMP continues to offer homeowners some of the most sustainable assistance available and has established critical standards and protections for homeowners that we believe must continue as the housing market heals. Extending the reach of HAMP will assist a broader pool of struggling homeowners, offer support for tenants at risk of displacement due to foreclosure, and provide more robust relief to those who participate. Taken together, these enhancements will help the housing market recover faster from an unprecedented crisis.

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