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Time to Move On: Families Facing Foreclosure Need Better Solutions Than HAMP

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More than one million Latino families have either lost or will soon lose their homes. In California, Hispanic-owned homes account for nearly half ([48 percent](#)) of all foreclosures. The rapid loss of homes among Latino and Black homeowners has increased the gap in [homeownership rates](#) between White families and families of color. Our research shows that foreclosures wipe out wealth that should have paid for retirements and college educations, depress neighborhoods and home values, and harm [family relationships](#).

Our efforts to support community-based housing counselors working with families in foreclosure has helped us better understand how national foreclosure prevention programs and policies can effectively reach the ten to 13 million families expected to lose their home during this calamity. As did others who are deeply concerned about the impact of the housing crises on families, we worked tirelessly to share information and provide guidance and recommendations to Congress and the administration. We had high hopes for the Obama administration's signature Home Affordable Modification Program (HAMP). And when we recognized signs of trouble with HAMP's implementation, and complaints from the community began to mount, we offered additional options and [solutions](#) to administrators.

Unfortunately, many of our recommendations went unheeded. While HAMP set out to provide three to four million modifications, only 600,000 families have received permanent loan modifications through the program. Treasury has made some tweaks, but fundamental changes are needed to reach more families in distress. Our counselors still report difficulty obtaining modifications for worthy homeowners, and the lack of compliance has made justice unattainable for those wrongfully foreclosed upon. Moreover, the private sector's move away from HAMP—proprietary modifications outnumber HAMP modifications two to one—suggests that the program's influence and relevance are waning. At best, HAMP addresses the housing crises of yesterday; continued congressional focus on the program is preventing us from taking the bold steps that are needed to help millions of Americans facing foreclosure today.

For these reasons we are left with little choice but to support the "HAMP Termination Act of 2011" (H.R. 839). It's time to focus on foreclosure prevention remedies that reach further.

Congress and the administration must consider more effective approaches, such as these five promising ideas:

- Leverage private-sector innovation.** Rather than modifying mortgages one at a time, remaining HAMP funds could be leveraged to negotiate directly with investors to buy toxic mortgages in bulk. The savings can be passed to the homeowner in the form of principle write-downs and other modifications. [Wall Street](#) is way ahead on this, and similar models should be brought to scale.

- Support local success.** Boston Community Capital is helping evicted homeowners [reclaim](#) their property. States are using the Hardest Hit Fund to respond to unique local conditions. Congress and the administration should elevate and scale local victories.

- Require more accountability from Fannie Mae and Freddie Mac.** The [OCC](#) called for an end to the "dual tracking" of foreclosures and modifications, and Bank of America has [committed](#) to partnering with others to address this unfair practice. Their efforts are severely undermined, however, without Fannie and Freddie on board. The Treasury and FHFA must compel the GSEs to implement this basic tenant of responsible foreclosure prevention.

- Give the state attorneys generals (AGs) a shot.** The AGs must accomplish what the Treasury has not—set firm, [enforceable rules](#) for modifications that include principle write-downs. The recently leaked terms raise concerns that the settlement might not go far enough. The AGs must conduct a rigorous inquiry and not settle until they have the best deal for their state.

- Give homeowners some leverage.** Many deserving homeowners miss out on modifications because they are mired in their servicer's bureaucracy. A little leverage in the form of a bankruptcy safety net would prompt more thorough customer service. Bankruptcy reform has failed in the House and Senate, but this budget-neutral option should be reconsidered for struggling homeowners.

Other efforts show more promise—namely the Neighborhood Stabilization Program and state endeavors through the Hardest Hit Fund—but these programs are not a substitute for a national strategy to modify mortgages for deserving homeowners.

Stabilizing our housing market is essential to our [economic recovery](#) and should be a concerted, bipartisan effort. We call on Congress and the administration to set politics aside and work together on a comprehensive strategy to put an end to needless and wrongful foreclosure.