Written by **Raven Clabough** on July 8, 2011

Obama Administration Attempts to Revise Mortgage Program

On August 1, the Federal Housing Administration plans to extend the amount of time homeowners will be permitted to miss mortgage payments from four months or less to a full year. At that point, the full foreclosure process would begin, if necessary.

The foreclosure program began in 2009 to assist those at risk of foreclosure by reducing their monthly payments. Borrowers were permitted to make lower payments on a trial basis, but thus far, the program has been unable to convert them into permanent loan modifications. In the beginning, nearly two million homeowners were receiving the trial modifications, but since then, a large majority of the homeowners have dropped out of the program entirely.

Still the federal government is working to revise the plan, as President Obama and his administration have come to terms with the notion that the housing crisis has continued to negatively impact the economy. Obama recently admitted that the housing market “has been most stubborn to us trying to solve the problem.” He also confessed that the program instituted to help struggling families keep their homes was “not enough” and that the government needed to go “back to the drawing board.”

Recently, the administration announced its proposed changes. *The Blaze* writes:

> The extended grace period only applies to FHA-backed loans, which are usually given to low- and middle-income borrowers and represent about 14 percent of all active mortgages and roughly 25 percent of new mortgages, and homeowners in the government’s Home Affordable Modification Program.

According to the Housing and Urban Development Secretary Shaun Donovan, the extension will likely help only “tens of thousands” of homeowners. As a result of unemployment, officials estimate that approximately 3,500 homeowners with FHA-insured loans fall behind on their mortgage payments each month.

In 2010, 17,000 homeowners benefited from the government program that allowed mortgage payment delays.

Those accepted into the foreclosure assistance program are offered interest rates as low as two percent for up to five years by allowing families to repay their loans over a longer period of time. In total, the program can save families around $500 per month. Those with delayed payments, however, must repay them, with interest.

The federal government is also putting pressure on private lenders, as well as those controlled by the government, most notably Fannie Mae and Freddie Mac, to adopt a similar policy. Donovan explains, "Our hope is that this will have broader effects."

Thus far, Fannie and Freddie have made no indication that they will do such a thing. *The Blaze* reports, however:

> New rules [are] going into effect Oct. 1 for the mortgage giants to allow for long-term forbearance when a home or a place of unemployment has been destroyed; if the homeowner or a dependent has a long-term disability or illness; or if the borrower has died and the property is in probate. Mortgage payments can be put off for up to a year in those cases.

Freddie Mac spokesman Brad German noted, "It [the time] can be extended and has been extended for people for a variety of reasons."

Those who have been accepted into the federal government's foreclosure assistance program have criticized it as a bureaucratic mess. Some were disqualified because banks failed to maintain the proper paperwork, and didn't return phone calls.

According to the Obama administration, the three largest mortgage lenders — Wells Fargo & Co., Bank of America, and JPMorgan Chase & Co. — are at fault. *The Blaze* writes:

> Last month, the Obama administration blamed the three largest U.S. mortgage lenders for the failures of the foreclosure program, saying they hadn't done enough to help people at risk of losing their homes. The Treasury Department said it was withholding financial incentives that amounted to up to $1,000 per permanent loan modification, arguing the three lenders had incorrectly determined that many people were ineligible for assistance.

The mortgage lenders contend that the federal government is false in its claims, and indicates that there have been no audits in the first quarter of the year.

Meanwhile, as unemployment continues to be the driving force behind the foreclosures, homeowners were given no solace when July 6 reports show that the unemployment rate has increased to 9.2 percent.

The Media Research Network Center reports:

> Truth be told, on July 8, the jobs report showed only 18,000 jobs added and plenty of other "lousy" news.
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> The unemployment rate also rose to 9.2 percent in June, and April and May data was revised to show 44,000 fewer jobs. The real unemployment rate (the figure including discouraged workers) also went up to 16.2 percent.
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> Job gains of only 18,000 in June were dramatically lower than most estimates, even Rick Santelli's (who came within 1,000 from the data last month). He gave the lowest estimate of all the CNBC panelists just before the Bureau of Labor Statistics report came out.

As an economic revival seems increasingly unlikely in the near future, analysts are forced to admit that a turnaround in the second half of 2011 is unlikely.

The New American's Bob Adelmann asserts that there is really is only one remedy for the economic crisis:

> The solution remains, as it always has, to stop the remedies and let the free market, driven by individual decisions, right itself. Let house prices continue to fall until they find a bottom, representing a "clearing" of the market. Let entrepreneurs innovate without the rules, regulations, and limitations placed on them. Let them keep the fruits of their labors if they guess right about fulfilling needs. Let firms hire without being hampered by minimum-wage laws and rules requiring inclusion in various benefit packages currently mandated by law. The resultant "release of pressure" will cure the unemployment problem.

That solution does not fit in with this administration's desire to install a permanent nanny state. And as that remedy continues to be ignored, America is treading ever farther down the dangerous path of Greece.