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Press Release

Committee Votes To End Failed And Ineffective Foreclosure Programs

March 3, 2011

WASHINGTON: The Financial Services Committee, chaired by Congressman Spencer Bachus, approved bills that terminate two failed and ineffective federal foreclosure programs and cancel their \$9 billion in funding.

Chairman Bachus said, "We should not waste taxpayer dollars on failed government programs that do not work and actually make things worse for struggling homeowners. These programs may have been well-intentioned, but they're doing more harm than good."

The elimination of the two programs -- the FHA Refinance Program and the Emergency Mortgage Relief Program -- provides \$9 billion in savings.

The Committee plans to take up other bills next week that terminate two other failed government foreclosure programs -- the troubled Home Affordable Modification Program (HAMP) and the Neighborhood Stabilization Program.

The two bills approved by the Committee today are:

H.R. 836, the Emergency Mortgage Relief Program Termination Act

Introduced by Rep. Jeb Hensarling (R-TX), the Committee's Vice-Chairman, the legislation ends the Emergency Homeowners Relief Program and prevents \$1 billion from being spent on the ineffective program.

Vice-Chairman Hensarling said, "The best foreclosure prevention tool is a job. Without more paychecks for homeowners to make their mortgage payments, it will be impossible to stem the foreclosure tide."

The Emergency Homeowner Relief Program provides loans to unemployed borrowers for a period of 12 months, with a possible 12 month extension. These loans increase the amount of the borrower's indebtedness, so a borrower who is unable to pay back either the original amount of principal or the additional loans made under the program will be worse off in the long run. Those borrowers derive no benefit from the program, and the government will suffer losses from their eventual defaults.

The Obama Administration, in its FY 2012 budget proposal, estimates the program to have an almost 98 percent subsidy rate. This means for every \$1 spent, the government will lose 98 cents. Also, HUD regulations set up a process where the bridge loan can be forgiven over a five-year period. **This is not a loan program, but another government grant program.**

H.R. 830, The FHA Refinance Program Termination Act

Introduced by Rep. Robert Dold (R-IL), the legislation would terminate the FHA Refinance Program and protects taxpayers from having \$8 billion of their money from being spent on the program.

Rep. Dold said, "I'm pleased that the committee passed HR 830 and HR 836. We must make every effort to stop spending resources we do not have on ineffective programs at the expense of American families. These are programs have been ineffective, and in many cases hurt the very people the program was designed to help."

The FHA Refinance Program, announced in March 2010 by the Administration, modifies underwater loans into the FHA program. Although more than \$8 billion in TARP funds have been obligated for the FHA Refinance Program, only \$50 million has been disbursed and only 40 applicants have been refinanced.

"Continued government intervention and questionable use of taxpayer dollars only prolongs our current economic crisis and ensures that the housing market will continue to struggle. The market needs to find its own footing free of government intervention and manipulation so that we can get on with a full recovery," said **Chairman Bachus.**

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