

Jacob J. Lew
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220

March 26, 2013

Dear Secretary Lew,

The Home Affordable Modification Program (HAMP) is currently scheduled to expire at the end of 2013, and the undersigned organizations request that the Treasury Department extend this important foreclosure prevention program. Extending the HAMP program for several years – or, at a minimum, for one year – would greatly assist the housing market in general and neighborhoods most affected by high foreclosure rates in particular by helping more homeowners avoid foreclosure.

HAMP continues to be important to a fragile national housing recovery because it significantly improves access to modifications for families across the country and improves the sustainability of modifications with its emphasis on affordability. HAMP modifications remain clearly superior to proprietary modifications across every dimension. Looking at the most recent quarter for which data are available, the third quarter of 2012, over three-quarters of HAMP modifications had monthly payment reductions of greater than 20%, while less than half of proprietary modifications did. For non-GSE loans (since GSE loans do not permit principal reduction), 44% of HAMP modifications had principal reduction as part of the modification, while only 20% of proprietary modifications did. These factors are important since evidence suggests that modifications with significant payment reduction and with principal reduction outperform modifications that lack these components.¹

Unsurprisingly, HAMP modifications significantly outperform proprietary modifications. For example, only 14% of HAMP modifications completed in the third quarter of 2011 were 60 days or more delinquent 12 months later, compared with 27% of proprietary modifications, and of those completed in the fourth quarter of 2011, only 11% of HAMP modifications were delinquent 9 months later, compared with 24% of proprietary modifications.²

¹ Laurie S. Goodman, Lidan Yang, Roger Ashworth, Brian Landy, *Modification Effectiveness: The Private Label Experience and Their Public Policy Implications*, Amherst Securities Group LP, at 12 (May 30, 2012), available at http://www.pewstates.org/uploadedFiles/PCS_Assets/2012/Goodman_et_al_%20Modification_Effectiveness.pdf; Peter McNally et al., Principal Reduction Helps to Reduce Rates in the Long Run, Moody's ResiliLandscape (Moody's Investors Service), Jan. 20, 2012.

² See OCC Mortgage Metrics Report, Disclosure of National Bank and Federal Savings Association Mortgage Loan Data, Third Quarter 2012 available at <http://www.occ.gov/publications/publications-by-type/other-publications-reports/mortgage-metrics-2012/mortgage-metrics-q3-2012.pdf> (calculations on non-HAMP modifications take total modifications and subtract out HAMP modifications by category). See also Ioan Voicu et al., Furman Ctr. for Real Estate & Urban Policy, Performance of HAMP Versus Non-

Extending HAMP is not just important for the country as a whole, but also particularly for communities hit hardest by the crisis. The foreclosure crisis has had a widespread, but uneven, impact on communities across the country.³ Research has shown that foreclosure and delinquency rates have disproportionately impacted African-American and Latino families⁴, and median household wealth has dramatically declined for African-American and Latino families.⁵ High foreclosure rates in communities of color have also impacted those homeowners neighboring foreclosed properties, and estimates show that these properties stand to lose \$1 trillion in home equity as a result.⁶ Additionally, surveys indicate that REO properties in communities of color have been maintained at lower levels than properties in predominantly white neighborhoods.⁷

As the housing market begins to recover, it would be shortsighted to conclude that all communities have the same distance to travel and will recover at the same pace. Effective housing policies must recognize that neighborhoods with higher foreclosure rates and deeper foreclosure-related impacts will take more time to recover. It should also, more generally, take into account the still elevated overall number of foreclosures and level of borrowers in serious delinquency in coming years.⁸ Extending the HAMP program beyond 2013 will not fix all of the challenges facing homeowners as a result of the foreclosure crisis. Additionally, further policy changes could improve the HAMP program's ability to prevent foreclosures. However, it is clear that an extension will help many families avoid foreclosure by providing affordable modifications that might not otherwise be available.

The foreclosure crisis is not yet over, and we ask that the Treasury Department prevent the HAMP program from ending in just nine months. Furthermore, we hope to discuss with you and your staff ways that an extended HAMP program could expand and improve in future years in order to maximize its impact for families most in need. Thank you for your attention to this important foreclosure prevention issue.

HAMP Loan Modifications – Evidence from New York City (2011), available at http://furmancenter.org/files/publications/paper_mods_performance_102311_1.pdf (finding that HAMP mods have lower re-default rates even after controlling for payment reduction, interest rate reduction and term extension).

³ See e.g., William C. Apgar, *Getting on the Right Track: Improving Low-Income and Minority Access to Mortgage Credit after the Housing Bust*, Joint Center for Housing Studies of Harvard University, p.22 (December 2012) (stating that “many of the same low-income and minority communities that paid the highest prices for mortgage credit during the boom years bore a disproportionate share of the aftershock.”).

⁴ Debbie Gruenstein Bocian, Wei Li, Roberto G. Quercia, *Lost Ground, 2011: Disparities in Mortgage Lending and Foreclosures*, Center for Responsible Lending (November 2011).

⁵ See Paul Taylor, Rakesh Kochhar, Richard Fry, Gabriel Velasco, and Seth Motel, *Wealth Gaps Rise to Record Highs Between Whites, Blacks and Hispanics*, Pew Research Center (July 26, 2011) (available at http://www.pewsocialtrends.org/files/2011/07/SDT-Wealth-Report_7-26-11_FINAL.pdf).

⁶ Debbie Gruenstein Bocian, Peter Smith, Wei Li, *Collateral Damage: The Spillover Costs of Foreclosure*, Center for Responsible Lending (October 24, 2012).

⁷ *The Banks are Back – Our Neighborhoods are Not; Discrimination in the Maintenance and Marketing of REO Properties*, National Fair Housing Alliance (April 2012).

⁸ CoreLogic reported that “[a]pproximately 1.2 million homes were in some stage of foreclosure in the U.S....as of January 2013.” *CoreLogic Reports 61,000 Completed Foreclosures in January*, CoreLogic (February 28, 2013) (available at <http://www.corelogic.com/research/foreclosure-report/national-foreclosure-report-january-2013.pdf>).

Sincerely,

National Signatories:

Americans for Financial Reform
Center for Responsible Lending
Consumer Action
Consumer Federation of America
EPACT Education Fund
National Association of Consumer Advocates
National Community Reinvestment Coalition
National Consumer Law Center (on behalf of its low-income clients)
National Fair Housing Alliance
National Housing Resource Center
National People's Action
National Urban League
PICO National Network
The Leadership Conference on Civil and Human Rights

State/Local Signatories:

Community Legal Services (Philadelphia, PA)
Aspera Housing Inc. HUD # 80168
California Reinvestment Coalition
Center for NYC Neighborhoods
Community Housing Innovations, Inc. (New York)
Connecticut Fair Housing Center
Empire Justice Center (New York)
ESOP: Empowering and Strengthening Ohio's People
JASA/Legal Services for the Elderly in Queens (Queens, NY)
Legal Services for the Elderly, Disabled or Disadvantaged of WNY, Inc.(Buffalo, NY)
Legal Services of Central New York, Inc.
Long Island Housing Services, Inc.
MFY Legal Services, Inc. (New York)
NEDAP
New Jersey Citizen Action
New York Legal Assistance Group
Philadelphia Unemployment Project
The Financial Clinic (New York)
The Legal Aid Society (New York City)
The Mississippi Center for Justice
Westchester Residential Opportunities Inc.(White Plains, NY)
Western New York Law Center

cc: Gene Sperling, National Economic Council