

Update from COSCDA

March 7, 2011

House Holds Hearing on NSP and Foreclosure Mitigation Programs

Last week the House Financial Services Committee held a hearing to consider bills that have been introduced that would end three of President Obama's foreclosure mitigation programs as well as the Neighborhood Stabilization Program (NSP).

- FHA Refinance Program - The Federal Housing Administration (FHA) program established to assist homeowners who owe more than their homes are worth
- Emergency Homeowners Loan Program - provides emergency loans to unemployed homeowners facing foreclosure, administered by HUD
- Home Affordable Modification Program – designed to use money from the TARP to offer incentives to lenders to renegotiate troubled loans with borrowers
- Neighborhood Stabilization Program - funds provided to states and localities to purchase and redevelop foreclosed and abandoned homes and residential properties

During the hearing, Republicans on the Committee argued that each program had fallen short of the goals and expectations, were too costly given the country's budgetary condition, and therefore should be terminated immediately. The Democrats admitted room for improvement in the programs, but offered examples of the positive impact that the programs have had in providing mortgage modifications as well as stabilizing neighborhoods. HUD Assistant Secretary Mercedes Marquez and FHA Commissioner David Stevens provided evidence on the effectiveness of NSP and described the distressed communities that had benefited. Many Democrats on the Committee defended these two programs and stated that they need to be given more time to work.

After the hearing, the Committee voted along party lines (33-22) to approve of the bill that would terminate the FHA Refinance Program. Rep. Robert Dold (R-IL) criticized the program by stating that the program has only disbursed \$50 million of the \$8 billion in TARP funds obligated to it, and has only refinanced 44 mortgages.

The Committee also voted along party lines to end the Emergency Homeowners Loan Program and to rescind all unobligated funds to the program.

The Committee will mark-up the two bills regarding the termination of the Home Affordable Modification Program as well as the NSP Program this week. COSCDA has sent a letter of support for the NSP program to the Committee. In the meantime, NSP 3 grantees are in the midst of having their action plans approved by HUD. NSP 3 would be funded out of mandatory funds which could, however, be affected by a rescission. We will inform you of the Committee's decision regarding the last two bills to be marked up this week.