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Foreclosure prevention program losing its punch

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By Tami Luhby, senior writer August 20, 2010: 3:43 PM ET

NEW YORK (CNNMoney.com) -- The president's signature foreclosure rescue plan is losing its punch, according to a federal report released Friday.

Only 36,695 troubled homeowners received long-term mortgage modifications in July under the Obama administration's Home Affordable Modification Program, known as HAMP. This brings the total to 434,717 borrowers who have successfully made it out of the trial phase.

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A month ago, [51,205 delinquent borrowers](#) were given long-term assistance.

The number of people falling out of the program, however, is on the rise. Some 12,912 homeowners had their permanent modifications canceled in July, 272 of whom paid off their loans.

Obama officials acknowledge that the foreclosure rescue program will not help every troubled homeowner and that it may be a while before the housing market stabilizes. They are shifting their focus to initiatives that are targeted to those who have been hit by the recession and declining

home prices.

"While there has been some stabilization in the housing market, it remains clear that we have more work ahead," said Raphael Bostic, assistant housing secretary. "We know that we must continue to provide support to underwater borrowers, unemployed homeowners, and to the nation's hardest hit neighborhoods."

Foreclosure prevention programs have taken on renewed importance with the housing market on shaky ground again. A spike in foreclosures, combined with weak housing sales, could send home prices plummeting

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again.

In July, [foreclosures were up 3.6%](#) from the month before but down 9.7% from the year earlier period, according to RealtyTrac.

Defaults on the rise

The latest report comes two weeks after the government had to revise its June redefault figures sharply higher, after analysts called the initial numbers misleading.

The revision showed that nearly 20% of homeowners were at least two months delinquent nine months after receiving a permanent modification. The initial figure showed that 7.7% had fallen behind.

The government did not provide redefault statistics for July in the current report. Officials said the data would be released quarterly.

Analysts at Barclay's Capital said last month said 60% of homeowners may ultimately redefault.

Status of trial mods

Some 96,025 people in trial modifications were canceled in July, bringing the total to 616,839 since the program began in the spring of 2009.

Homeowners usually are kicked out of the trial program because they do not make the required payments, meet the qualifications or submit the needed paperwork. Going forward, loan servicers will gather the necessary documents and review homeowners' eligibility before entering them in trial modifications.

Once their trials are canceled, about 45.4% of homeowners receive alternate modifications, often one from their loan servicer. Some 9.8% had foreclosure proceedings started against them and 1.8% lost their home in foreclosure.

Only 255,934 troubled borrowers remain in the trial phase, some 24,577 of whom entered the program in July. Nearly 118,000 have been in trials for at least six months, though loan servicers should address these homeowners in the next month, administration officials said.

Another new program

Launched with great fanfare, the president's foreclosure prevention plan calls for servicers to reduce eligible troubled homeowners' monthly payments to no more than 31% of their pre-tax income. However, it has come under persistent fire for being slow to launch and for not helping enough people.

Meanwhile, the government is set to roll out yet another fix for the housing market. Borrowers can start applying for the FHA Short Refinance option starting Sept. 7.

The program allows those who owe more than their homes are worth to refinance into a Federal Housing Administration-backed loan provided they are current on their mortgages and their lender agrees to write off at least 10% of their principal balance. The initiative is open to those who do not currently have an FHA loan and who have a credit score of 500 or more.

In recent months, the administration has stressed the wide range of housing programs it has underway, including initiatives to keep interest

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Data as of 5:33pm ET

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Debra Lombardo 2:19 pm

I had the same problem with AHMI who kept losing paperwork, and calling constantly talking to different people mostly in India until I demanded to speak to someone in the United States. I think AHMI initial response is to turn you down even though we are a one income family. I was told a regular loan modification was an option and that answer would take 2 more weeks. There is no value in the house at all to refinance either. No wonder people feel that the only option they have is to walk away.



Keith Geller 1:37 pm

This whole HAMP thing is a joke. Last year I applied with HSBC for a HAMP modification, based on the fact that I cant refinance because the value of my home has greatly decreased. All HSBC did was tell me they didnt have the applications ready ..then in JULY 2009 i received the applications and sent it to them. First in September 2009 they tell me i have too much money in the bank, which is not a prerequisite for this aspect of the HAMP. In July '10 I called them for an update and now they told me they never received my application, i asked for a supervisor, they tell me no boss is available. . I know they are stalling so that they dont have to give me the lower mortgage rate. The HAMP is for peopl who cant make their mortgage payments , and for those who have been making their mortgagge payments but cant refiannce to a lower rate due to the devaluation of their home. My family and I fall into the latter category. HSBC sucks I am thinking of legal action against them.



Edwin Galdamez 12:59 pm

Making home affordable is not for the home owners. is just for the benefit of the bank. if your house for some reason isnt so devalued and is in a desirable location . forget about any help. the bank will foreclose and sell. even if the risk was minimum. banks will help you only if your house is in a location nobody wants to buy. if they foreclose how will they sell the property? so in whose benefit is making how affordable?



Ashwin Jonnalagadda 12:34 pm

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Dennis Rooney 12:34 pm

Having reviewed thousands of mortgages within one of the largest loss mitigation departments in the nation one thing was prevalent. The people in default that cannot be modified should never have been approved for the mortgage in the first place or they are unemployed and do not have the income to qualify. How do you approve someone for a mortgage when they don't have a job? They used to allow them to state their income with no proof. How do you approve someone for a modification if they don't have a job? You shouldn't be able to however HAMP allowed unemployment income to be counted. Guess what? They're running out of their unemployment income. States are laying off teachers. Not enough people are paying taxes to support the ridiculous budgets overloaded with FAT. There is no easy answer. Bottom line is that without new jobs being created through new industries, the recovery will be very slow to come. People need a job to pay their mortgage.



Artie Lemons 12:06 pm

I doubt he gets re-elected after people read this...
<http://newsbuster.com/Pages/content/bombshell-barack-obama-outed-as-cia-creation.html>



Gregory Vartanian 12:02 pm

President Obama you really shot yourself in the foot. Come November 2012 if you have plans to run for reelection that is, the voters all of whom you failed to help will remember and they will remember well how you failed them. This will be your undoing at which point you will no longer have any opportunity to serve as president. Instead of proving to the world that you of all people can make the changes needed in this country all you have demonstrated is that no matter who enters the White House they are doomed to be deaf and blind to the issues that plague this country.



Artie Lemons 12:01 pm

Screw the banks.. the gov used our TAX payer money and indebted the whole nation to bail these banks out as a back stop to bankruptcy and what do they do... crap all over the home owners ... they would have been forced to deal with homeowners but with unlimited funds can choose who to deal with who and how... what a joke... for the rest of us we are still dealing with the damn banks ruining the market and sapping up our equity.. so they should have failed ... there lucky class action law suit has not been filed for destroying the market and ruining the value of peoples homes because they screwed up..



Avery Guest 11:48 am

@ Eric--I tried buying a short sale from BofA with no success--they wanted more than market value and it took months to get back on the short sale offers. The owners agreed to the sale, but I had to walk away because the bank appeared to be more interested in foreclosing. Here is the kicker--I bought a bank owned foreclosure (another house) from them, way under market, at a price less than the price that they paid at the trustee sale.



Eric Chavarria 11:25 am

Instead of the government bailing out wall street they should have bought these foreclosure which would have bailed out wall street and the homeowners at the same time(The paper of the investments would have been actually worth something and by them buying the foreclosures they would have kept the market from spiraling down).

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