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Gov't watchdogs: mortgage program is not working

Bailout watchdogs say Obama mortgage program is failing to help homeowners facing foreclosure



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Daniel Wagner, AP Business Writer, On Wednesday July 21, 2010, 11:27 am EDT

WASHINGTON (AP) -- Government watchdogs told a Senate panel Wednesday that the Obama administration's effort to help homeowners avoid foreclosure isn't working and that the Treasury Department has failed to fix the program.

Special inspector general for the financial bailouts Neil Barofsky said the program has not "put an appreciable dent in foreclosure filings," during a Senate Finance Committee hearing on the \$700 billion bank bailout. He also said the Treasury Department has ignored earlier demands that it set clearer goals for the program.

Elizabeth Warren, who chairs a separate Congressional Oversight Panel on the bailouts, said Treasury's failure to act more quickly could be hurting the recovery.

More foreclosures could force down the price of homes and further hurt the already-ailing housing industry.

The homeownership program aims to reduce mortgage payments for millions of homeowners who can't afford their monthly bills. Recent data suggest it has helped about 400,000 households avoid foreclosure. About 530,000 have fallen out of the program.

The bailout has provided up to \$50 billion for the mortgage modification programs. So far, about \$248 million in bailout money has been spent on the program.

Barofsky said Treasury is giving mortgage companies too much leeway to decide which homeowners will qualify for a program to reduce the principal balance of their mortgages.

The program relies on voluntary cooperation from mortgage companies, Warren said. She said many of the mortgage debt collectors make more money when they foreclose than they do when helping homeowners.

"We have a crisis, and the consequences of not having cooperation from (mortgage) servicers is . . . felt by this entire economy," Warren said. "We need a program with far more urgency and some real teeth in it."

Also appearing at the hearing is a leader of the Government Accountability Office.

Their three offices are designated to provide transparency and oversight for the bailout program that Congress passed in October 2008.

Most of the financial bailout programs have ended as the financial system regained its footing. Treasury lent out a total of \$385 billion from the \$700 billion fund. As of June 30, about \$198 billion had been repaid, according to the independent Government Accountability Office.

Treasury also has collected \$25 billion in fees and interest payments from companies that received money.

President Barack Obama was preparing Wednesday to sign into law the most sweeping rewrite of financial regulations since the 1930s. The law includes changes aimed at reassuring Republicans, who worry the

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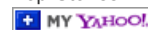
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regulations since the 1930s. The law includes changes aimed at reassuring Republicans, who worry the bailout fund could become permanent.

The size of the fund is reduced to \$475 billion from \$700 billion. Money that has been repaid must be used to repay the national debt, rather than expanding other programs. And the overhaul blocks Treasury from using the money to create new programs.



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