



PROTECTING HOMEOWNERSHIP & CRACKING DOWN ON MORTGAGE FRAUD

The implosion of the subprime lending industry threatens to bring foreclosure to over two million households nationwide, and is spreading devastating impacts to the economy as a whole. Over the past several years, while predatory lenders were driving low-income families into financial ruin, ten of the country's largest mortgage lenders were spending more than \$185 million lobbying Washington to let them get away with it.

Barack Obama recognizes that the real victims in the subprime mortgage crisis are not the lenders, but the millions of borrowers who followed the rules and whose only crime was taking out mortgages that lenders told them they could afford. Normally, these borrowers could avoid foreclosure by refinancing their mortgages or selling their homes. Today's borrowers lack the refinancing and selling protections that used to help out families during a tough period. Too many families are unable to refinance because no one will lend to them, and they are unable to sell their homes because the housing market has fallen. As president, Obama will fight to ensure more Americans can achieve and protect the dream of home ownership.

I. CREATE A FORECLOSURE PREVENTION FUND TO HELP AMERICANS KEEP THEIR HOMES

Barack Obama will help Americans currently facing foreclosure through no fault of their own. There is mounting evidence that the rise in mortgage delinquency and foreclosures was led by aggressive and all too often abusive lending practices of many in the mortgage industry. And in communities where there are many foreclosures, property values of innocent homeowners are often also negatively impacted, driving them toward foreclosure, too. Obama will create a Foreclosure Prevention Fund to help people facing foreclosure stay in their homes and renegotiate with their lenders or sell their homes. The Fund will not help speculators, people who bought vacation homes or people who falsely represented their incomes. Given the downturn in the economy, Obama has called for immediate creation of this \$10 billion fund as part of his economic stimulus package. The Fund will:

- Dramatically increase emergency pre-foreclosure counseling resources.
- Allow families facing foreclosure to responsibly refinance their mortgages by working through the Federal Housing Administration, Fannie Mae and Freddie Mac. Resources will also be provided to these agencies to develop new loan products that are more flexible and enable distressed borrowers to refinance on terms that enable them to keep their homes.
- Assist individuals who purchased homes that are simply too expensive for their income levels to sell their homes. The fund will help offset the costs of selling a home, including by helping low-income borrowers get additional time and support to pay back any losses from the sale of their home, and waiving certain state and local income taxes that result from an individual selling their home to avoid foreclosure.
- Partner with state governments, community organizations and loan providers to ensure fair loan modifications can be made in a timely manner that avoids the need for foreclosure or bankruptcy.

II. CLOSE THE BANKRUPTCY LOOPHOLE FOR MORTGAGE COMPANIES

The 2005 bankruptcy bill, which Barack Obama opposed, is expected to have serious effects on low and middle-income borrowers of subprime mortgages. While investors who own multiple homes and people with vacation homes can renegotiate those mortgages in bankruptcy, current Chapter 13 law requires ordinary families to stick with the original terms of their home loans—regardless of whether the loan was predatory or unfair. Obama will repeal this provision so that ordinary families do not suffer this unfair treatment.

III. PROVIDE A NEW MORTGAGE INTEREST TAX CREDIT

Barack Obama will provide a greater number of Americans with the financial assistance they need to purchase or keep their own home. Many middle class Americans do not receive the existing mortgage interest tax deduction because they do not itemize their taxes. As a result, primarily wealthy Americans benefit from this homeownership tax incentive. Obama will ensure that middle-class Americans get the financial assistance they need to purchase or keep their own home by creating a 10 percent universal mortgage credit that give tax relief to Americans who have a home mortgage. The Obama proposal will provide 10 million homeowners, most of whom earn under \$50,000 per year, with an average of \$500 in savings. This tax cut will provide direct relief to many homeowners who are struggling to maintain their mortgage payments.

IV. COMBAT MORTGAGE FRAUD AND SUBPRIME LOANS

The implosion of the subprime lending industry threatens to bring foreclosure to over two million households, including many families with children. Barack Obama has been closely monitoring this situation for years, and introduced comprehensive legislation nearly two years ago to fight mortgage fraud and protect consumers against abusive lending practices. Obama's STOP FRAUD Act provides the first federal definition of mortgage fraud, increases funding for federal and state law enforcement programs, creates new criminal penalties for mortgage professionals found guilty of fraud, and requires industry insiders to report suspicious activity. This bill also provides counseling to homeowners and tenants to avoid foreclosures. Finally, Obama's bill requires the Government Accountability Office to evaluate and report to Congress on various state lending practices so that state regulations that undermine consumer's rights can be identified and hopefully eliminated.

V. MANDATE ACCURATE LOAN DISCLOSURE

Today's subprime mortgage problem stems in large part from the lack of easy-to-understand information that borrowers receive from mortgage brokers. As president, Barack Obama will enact laws to ensure that all prospective homebuyers have access to accurate and complete information about their mortgage options. Obama will create a Homeowner Obligation Made Explicit (HOME) score, which will provide potential borrowers with a simplified, standardized borrower metric (similar to APR) for home mortgages. The HOME score will allow Americans to easily compare various mortgage products and understand the full cost of the loan. The HOME score would also help borrowers understand their long-term obligations and would be required to include mandatory taxes and insurance.