



PROTECTING HOMEOWNERSHIP & CRACKING DOWN ON MORTGAGE FRAUD

The implosion of the subprime lending industry threatens to bring foreclosure to over two million households and threatens to spread devastating impacts to our 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 borrower lack the refinancing and selling protections that used to help out families during a tough period. Too many families now can't refinance because no one will lend to them and they can't sell because the housing market has fallen. And with some arguing that the effects of the worst subprime loans won't be felt until 2008 and 2009, this may just be the beginning.

Barack Obama believes that we need to act now to help struggling borrowers weather this storm. As president, Obama will fight to ensure more Americans can achieve and protect the dream of home ownership.

OBAMA'S PLAN TO PROTECT HOMEOWNERSHIP IN THE 21ST CENTURY

Combat Mortgage Fraud and Subprime Loans: Barack Obama believes we must establish stiff penalties to deter fraud and protect consumers against abusive lending practices. Obama has introduced the STOP FRAUD Act to provide the first federal definition of mortgage fraud, increase funding for federal and state law enforcement programs, create new criminal penalties for mortgage professionals found guilty of fraud, and require 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.

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 individuals 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.

Create Fund to Help Homeowners Avoid Foreclosures: In addition to taking important steps to prevent mortgage fraud from occurring in the future, Barack Obama will establish policies to help Americans currently facing foreclosure through no fault of their own. For instance, 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 fund to help people refinance their mortgages and provide comprehensive supports to innocent homeowners. The fund will also assist individuals who purchased homes that are simply too expensive for their income levels by helping to sell their homes. The fund will help offset costs of selling a home, including helping low-income borrowers get additional time and support to pay back any losses from the sale of their home and waiving certain federal, state and local income taxes that result from an individual selling their home to avoid foreclosure. These steps will ensure that individuals who have to sell their homes will be able to quickly regain stable financial footing. The fund will be partially paid for by Obama's increased penalties on lenders who acted irresponsibly and committed fraud.

Close Bankruptcy Loophole for Mortgage Companies: Barack Obama strongly opposed the 2005 bankruptcy bill, which is expected to have serious effects on low and middle-income borrowers of subprime mortgages. As president, Obama will work to eliminate the federal bankruptcy law's Chapter 13 provision that prevents bankruptcy courts from modifying an individual's mortgage payments. This forces individuals who seek bankruptcy protection to continue paying the full amount of their existing mortgage plans. This provision, which provides unique protection to the mortgage industry, places the interests of big lenders over than of low and middle-income Americans. Obama believes that the subprime mortgage industry, which has engaged in dangerous and sometimes unscrupulous business practices, should not be shielded by outdated federal law.