



## **PROTECTING HOMEOWNERSHIP & CRACKING DOWN ON MORTGAGE FRAUD**

The implosion of the subprime lending industry threatens to bring foreclosure to up to 6.5 million households nationwide, and continues to fuel our economic downturn. Over the past several years, ten of the country's largest mortgage lenders were spending more than \$185 million lobbying Washington to let them get away with aggressively selling loosely-regulated, high-risk mortgages.

Barack Obama and Joe Biden recognize that the real victims in the subprime mortgage crisis are 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, their neighbors who have been inadvertently pulled into our national foreclosure crisis, and the tens of thousands of Americans who have lost their jobs in the current recession 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. Obama and Biden will fight to ensure more Americans can achieve and protect the dream of home ownership.

### **I. PROVIDE A NEW MORTGAGE INTEREST TAX CREDIT**

Barack Obama and Joe Biden 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 and Biden 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-Biden 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.

### **II. COMBAT MORTGAGE FRAUD AND PREDATORY SUBPRIME LOANS**

Barack Obama has been closely monitoring the subprime mortgage 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 and increases the ability of borrowers with risky mortgages to protect themselves in foreclosure proceedings. 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.

### **III. 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 and Biden 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. Obama and Biden will also support efforts to improve financial literacy within communities most likely to be targeted by predatory lending practices.

### **IV. 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 and Biden will repeal this provision so that ordinary families do not suffer this unfair treatment.

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