

New Obama administration program: no aid for distressed homeowners

Hiram Lee
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A new Obama administration program will provide incentives for banks to enter into “short sale” agreements with struggling homeowners. While allowing banks to forego the process of foreclosure, it would do nothing to keep people from losing their homes.

The new Home Affordable Foreclosure Alternatives Program (HAFA) will begin on April 5 as an addition to the Home Affordable Modification Program (HAMP). It will provide incentives for banks to allow homeowners to sell their homes for less than what they owe on their mortgage (a “short sale”).

The program will be made available to those who qualified for reduced mortgage payments through HAMP but are still unable to keep their homes. The HAMP program, centered on voluntary loan modifications by banks, has assisted only a tiny fraction of those facing foreclosure.

The new process is a way for banks to avoid the legal and administrative fees involved with the foreclosure process, and a way for homeowners to avoid damaging their credit through foreclosure. Under the short sale agreement, the borrower, or homeowner, sells the home for less than they owe, and all earnings from the sale are given over to the lending bank.

The bank will suffer a smaller loss than they would have had they initiated a foreclosure. The government would also give banks or investors \$1,000 for agreeing to the short sale. Borrowers selling their homes will, in turn, receive \$1,500 in “borrower relocation assistance.”

The program is also an attempt to avoid bank walkaways, in which a bank that has begun the foreclosure process on a property cancels the auction because the property is deemed to be insufficiently

profitable to justify further expenses. Abandoned properties often fall into disrepair or, in many cases, become vandalized and lose their value.

As a number of commentators have pointed out, the new program marks a change in the Obama administration’s plan for dealing with foreclosures, or at least a change in rhetoric. Obama has claimed that his proposals were designed to prevent homeowners from losing their homes. But the new program will, in effect, *help* them lose their homes.

The Obama administration’s programs for solving the home foreclosure crisis have been grossly inadequate and have, at every turn, been designed to benefit banks and lending agencies and not working class homeowners and tenants in financial straits.

While HAFA could potentially reduce the number of foreclosures, technically speaking, it does nothing to alleviate the suffering of workers as a result of the economic crisis. The short sale program offered by Obama amounts to a foreclosure “by any other name.” Hundreds of thousands could stand to be ushered out of their homes through the program.

An unprecedented 2.82 million homes faced foreclosure in 2009, as a result of the economic crisis and skyrocketing levels of unemployment. More than 5 million homes in the US are currently behind on their mortgage payments.

When it was launched in February 2009, the Obama administration assured critics that the Home Affordable Modification Program would save up to 4 million homes from being foreclosed. Since that time, only 116,000 homeowners have received a permanent loan modification allowing them to manage payments and remain in their homes.

Like the jobs creation program in the American

Recovery and Reinvestment Act, which promised to create or save 3.5 million jobs but only saved roughly 600,000, the home foreclosure programs stand exposed as empty promises.



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