

Obama's mortgage relief fraud

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US President Barack Obama unveiled a small expansion of the government's mortgage modification program Monday that would help a handful of homeowners refinance their homes, while subsidizing banks behind the scenes. The program, unveiled after the Senate voted down Obama's jobs bill, is one of a series of toothless economic proposals Obama is pushing in order to strike a populist posture in the 2012 election campaign.

Obama announced the program at a photo-op at a family home in Las Vegas, Nevada, after concluding a \$1,000-per-plate fundraising luncheon with the city's casino and hotel kingpins. The next day, Obama was off to Los Angeles to attend two additional fundraisers with Hollywood celebrities and media executives.

The White House claimed that up to one million people would benefit from the program, with an average benefit of only \$2,500 a year, a drop in the bucket. If the Obama Administration's previous foreclosure assistance programs are to be any guide, only a tiny fraction of this number will see any benefit. According to the *Washington Post*, "To date, administration programs have permanently reduced the debt of just one tenth of 1 percent of underwater borrowers."

There are 11 million homeowners who owe more on their mortgages than their houses are worth, most of whom will be unaffected by the program. More broadly, the plan does nothing for the 6 million US residents who are either in or on the brink of foreclosure.

The proposal is an expansion of the Home Affordable Refinancing Program (HARP), one of the two federal programs supposedly helping homeowners affected by the collapse of the housing market. HARP was conceived as a means to help homeowners who owe between 105 percent and 125 percent of the value of their house.

The program excludes homeowners who have had any delinquent payments in the past 12 months, only applies to certain lenders, and is totally voluntary on the part of the banks. And even for those who do qualify, the benefit can be as low as a few hundred dollars per year.

Obama's other, far more prominent, federal program to assist troubled homeowners, the Home Affordable Modification Program, has been an abject failure by any standard. Despite the White House's claim that it would assist 3 to 4 million people, the program has so far granted permanent modifications to just over 600,000 people, according to the treasury department.

Neil Barofsky, the Special Inspector General for the Troubled Asset Relief Program, this year called Obama's mortgage modification program a "failure," saying, "You have people come out of this with tons of late fees that they otherwise may not have been looking at, their credit ratings have been destroyed, their savings depleted," he says. "They're in a far worse place than they would have been had this program not existed."

Obama's proposal would leave the HAMP program, targeted at homeowners who are behind on their payments, totally untouched, but would tinker with the HARP program, for homeowners who have not missed any payments.

Obama's proposal, officially, consists of two measures. First, it expands the pool of qualified mortgages to those whose principal is more than 25% higher than the present value of their home. Second, it will get rid of "certain refinancing fees" that "can sometimes cancel out the benefits of refinancing altogether," as Obama put it.

While the benefit to homeowners is minimal, amounting to a temporary adjustment to payments, the banks stand to gain significantly from the measure. Loans sent for modification under the program are

transferred to Fannie Mae and Freddie Mac, the two government-sponsored mortgage giants. Under the previous terms of the program, any losses on mortgages transferred to Fannie and Freddie that were the result of improper lending practices were paid by the original lenders. But the updated version now leaves Fannie and Freddie—and ultimately taxpayers—on the hook for losses.

The toothless nature of Obama's proposal once again demonstrates the stranglehold that the banks hold on economic and political life. Any proposal that in any way conflicts with their profit interests is dead on arrival as far as the big business parties are concerned.

Obama used his Las Vegas press conference to try out a new campaign slogan: "We can't wait," which subsequently appeared on his website and other promotional material. Obama said he was pursuing his proposal unilaterally to get around opposition from congressional Republicans.

"I'm here to say to all of you—and to say to the people of Nevada and the people of Las Vegas—we can't wait for an increasingly dysfunctional Congress to do its job. Where they won't act, I will," Obama blustered.

The proposal is a key part of Obama's preparation for the 2012 election campaign, where he is seeking to posture as a supporter of social equality. The pretense is, of course, preposterous, since Obama has for the past three years bailed out banks, slashed wages, laid off federal employees and announced unprecedented cuts to entitlements like Medicare, Medicaid, and Social Security.

A key part of this charade is Obama's American Jobs Act, a combination of tax cuts and handouts to big business. The \$500 billion program, which Obama said would be followed by further spending cuts, was developed for the specific purpose of being blocked in Congress by Republican opposition.

The bill's demise gives Obama the opportunity to posture as a defender of the unemployed while committing to nothing that would affect the interests of his campaign backers on Wall Street.

Despite Obama's occasional denunciations of the bankers, he has raised far more money from Wall Street than any of the Republican candidates, and his reelection campaign has so far raised more money than all of the Republican nominees combined.

Five years after the beginning of the collapse of the housing market, foreclosures remain epidemic, with no prospects of a resolution. The unwillingness and inability of any political representative of the financial aristocracy, most of all Obama, to take any measure to alleviate this catastrophe, points to the systemic nature of the crisis.

What is required is a radical change in the structure of society, including the nationalization of the banks and the forgiveness of mortgage debt. Politically, the power of the banks and ruling elite must be broken. Economically, a solution to the housing crisis can only be made through a direct assault on the predatory interests of the financial elite. These measures can only be taken by a mass movement of the working class, organized in a political party of its own.



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