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Common Sense Questions That Americans Deserve to Know About the Administration's Housing Plan

WASHINGTON, D.C. – House Republican Whip Eric Cantor (R-VA) today will send a letter with Republican Leader John Boehner (R-OH) seeking clarification on six important questions about President Obama's broad housing proposal. The President is expected to outline his housing proposal later today in Phoenix, but details of the plan remain scarce. A copy of the letter is linked below.

6 Common Sense Questions

- 1. What will your plan do for the over 90% of homeowners who are playing and paying by the rules?**
- 2. Does your plan compensate banks for bad mortgages they should have never made in the first place?**
- 3. Will individuals who misrepresented their income or assets on their original mortgage application be eligible to get the taxpayer funded assistance under your plan?**
- 4. Similarly, will you require mortgage servicers to verify income and other eligibility standards before modifying mortgages?**
- 5. What will you do to prevent the same mortgages that receive assistance and are modified from going into default three, six, or eight months later?**
- 6. How do you intend to move forward in the drafting of the legislation**

and who will author it?

QUESTION BACKGROUND:

1. What will your plan do for the over 90% of homeowners who are playing and paying by the rules?

Background: Millions of homeowners are struggling, but managing to make their mortgage payments. In some cases these individuals owe more than their house is currently worth or they may be locked into an interest rate that is higher than the current rate or the rate provided by a new government program. Yet, unless they become delinquent on their mortgage, they may not benefit from a new government program.

2. Does your plan compensate banks for bad mortgages they should have never made in the first place?

Background: According to the *Washington Post*, “The administration is considering a proposal to help distressed homeowners by subsidizing lenders who cut the interest rate on mortgages...”

4. Similarly, will you require mortgage servicers to verify income and other eligibility standards before modifying mortgages? (this would be especially important if modified mortgages enjoy some type of taxpayer insurance)

Background: In the original Hope for Homeowners Program, Congress required that in order to be eligible for the program’s assistance, “The mortgagor shall provide certification to the Secretary that the mortgagor has not intentionally defaulted on the mortgage or any other debt, and has not knowingly, or willfully and with actual knowledge, furnished material information known to be false for the purpose of obtaining any eligible mortgage.” The bill went on to require income verification using income tax returns.

Yet, the mortgage foreclosure bill drafted by Chairman Frank and passed by the House this year (H.R. 384) deleted these critical taxpayer protections.

5. What will you do to prevent the same mortgages that receive assistance and are modified from going into default three, six, or eight months later?

Background: On December 8, the Office of the Comptroller of the Currency (OCC) released a [report](#) that found that “After three months, nearly 36 percent of the borrowers had re-defaulted by being more than 30 days past due. After six months, the rate was nearly 53 percent, and after eight months, 58 percent.”

Critics have contended that the OCC report lumped together all loan modifications and that certain types of modifications such as interest rate reductions are more successful than others. Yet, a report by Credit Suisse (which is often cited by critics of the OCC report) found high re-defaults even among rate freezes at “teaser rates” and even with principal reductions. For example, eight months after modifications that occurred in the fourth quarter of 2007 (before the height of the current crisis) 15% of rate modifications and 23% of modifications that involved reducing principal were 60+ days delinquent.

6. How do you intend to move forward in the drafting of the legislation?

Background: It is unclear at this point how President Obama’s proposal will take shape. Will the President propose legislation for Congress to enact? Will the President simply outline his proposal and allow Congress to craft the legislation in its entirety? Or, will the President attempt to enact his proposal without legislation?

The answer is of interest not just to congressional Republicans, but also the American people.

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