The White House

Office of the Press Secretary

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President Obama Announces Help for Hardest Hit Housing Markets

Funding will Help Address Urgent Problems Facing Homeowners at the Center of the Housing Crisis

LAS VEGAS, NEVADA -- Today, President Obama, with Senate Majority Leader Harry Reid, announced funding for innovative measures to help families in the states that have been hit the hardest by the aftermath of the housing bubble. In each of these states, the average price for all homes in the state has fallen more than 20% from the peak.

Home prices across the country are beginning to stabilize since the Administration's economic policies began to take effect in mid-2009. But the legacy of price declines, together with the effects of high unemployment, means that many working and middle class families in these especially hard-hit areas are facing serious challenges, in many cases beyond what their families' resources can handle. This new innovation fund will help housing finance agencies in the hardest-hit areas and localities further respond to the most pressing problems in their communities.

President Obama said, "During these difficult economic times, we will work to help responsible homeowners stay in their homes and stabilize the housing market so home values can rise. This program will allow housing finance agencies in the places hardest-hit by the housing crisis find innovative ways to help homeowners stay afloat, and empower local agencies that know these communities best. With the help of Harry, Tim and Shaun, we'll continue to work together to stabilize the mortgage markets and hasten our recovery."

Senate Majority Leader Harry Reid said, "I have been working with President Obama and his administration on solutions to address Nevada's housing crisis for a while now and this policy will help people who are struggling. This will be an important step toward helping to keep people in their homes and assisting those who are underwater. I thank President for working with me on this important Nevada issue."

Secretary of the Treasury Timothy Geithner said, "This innovative program will allow us to work directly with states and localities to tailor housing assistance to

local needs. It's an opportunity to provide additional relief to the hardest hit states while continuing to strengthen our housing market stabilization efforts."

Secretary of Housing and Urban Development Shaun Donovan said, "Although the housing market has come a long way in just one year, there are many communities like Las Vegas that are still struggling. The funding announced today will help target resources to those hardest hit markets, promoting innovation that tailors programs to meet local needs and complementing our national foreclosure relief efforts."

A full fact sheet is below:

Help for the Hardest-Hit Housing Markets
1. $1.5 Billion to Work with State Housing Agencies to Innovate and Help Address the Problems Facing the Hardest-Hit Housing Markets

- There will be a formula for allocating funding among eligible states that will be based on home price declines and unemployment.
- HFAs must submit a program design to Treasury.
- ;Programs may include:
    - Measures for unemployed homeowners;
    - Programs to assist borrowers owing more than their home is now worth;
    - Programs that help address challenges arising from second mortgages; or
    - Other programs encouraging sustainable and affordable homeownership.

2. Accountability and Transparency for these Housing Programs

- All funded program designs posted online.
- Accountability for results – program effectiveness measured and results published online.
- Effective oversight under the Emergency Economic Stabilization Act of 2008.

Help for the Hardest Hit Housing Markets

This new program will apply to states that have suffered an average home price drop of over 20% from the peak. State and local Housing Finance Agencies (HFAs) in each state are already familiar with the urgent challenges facing their communities and have demonstrated the ability to address these challenges. For that reason, we will work with these HFAs to expand the capacity to help address

these challenges, with $1.5 billion from the funds set aside for housing under the Emergency Economic Stabilization Act of 2008 (EESA).

The HFAs will determine the priorities facing their local markets. The program will be under strict transparency and accountability rules. The increase in HFA activities in these areas will support families in these markets, combining with the numerous other steps the Administration has taken to address housing markets.

Funds can be used for innovation to take steps to address difficult, locally-important challenges for the hardest-hit housing markets, including unemployed borrowers, underwater borrowers, and second liens.

Programs must meet funding requirements under EESA. These include that the recipient of funds must be an eligible financial institution and that the funds must be used to pay for mortgage modifications or for other permitted uses under EESA. Treasury will announce maximum state level allocations in the next two weeks, along with rules governing the submission of program designs by HFAs, and provide a period thereafter for HFAs to submit their program designs in order to receive funding.

Illustrations of the Sorts of Programs that May be Funded in the States

Housing markets vary considerably from state to state, and often within a single state. Housing Finance Agencies are intimately engaged already in their local housing markets, and will play the lead role in determining what sorts of programs are most appropriate to local conditions. Three sorts of problems that may be addressed with funding are unemployed borrowers, underwater borrowers, and second liens:

1. Unemployed borrowers. Since the recession began in 2008, unemployment has hit many families who own homes. In previous times, when house prices were rising, families with unemployment could often sell their homes for more than they had paid, using the proceeds to tide them over.

Today, by contrast, families in states where prices have dropped more than 20% often find themselves owing more than the house is worth in the current market. Such homes are often difficult to sell, and families with unemployment often can't pay the current mortgage and may not have enough income to qualify for a modification.

In such circumstances, one use of funds would be for HFAs to begin programs to help unemployed homeowners until they have secured a new job. HFAs can consider a variety of programs to help unemployed borrowers.

2. Underwater borrowers. For states with more than 20% home price declines, a large portion of homeowners are "underwater" -- they owe more than the house is worth in the current market. Such borrowers often find it difficult to sell their homes -- lenders may not agree to a sale that fails to pay back a mortgage in full. HFAs may experiment with programs that would assist borrowers to negotiate with lenders to write down mortgages.

3. Second liens. An important challenge can arise for some borrowers who have a home equity line of credit or other second mortgage on their home. Often, a first mortgage lender who may be willing to modify the loan by reducing principal can run into difficulties in coordinating between the first and second mortgage lender. To smooth this coordination problem, and help assure that homeowners get an overall modification that works best, funds can be used to pay incentives to the second mortgage holders, addressing this potential obstacle to reducing principal and keeping borrowers in their homes.