

Submit

Print Form

### REGISTERED LOBBYIST CONTACT DISCLOSURE FORM

This form is to be completed by Executive Branch employees who are contacted by registered lobbyists regarding EESA. This report includes a written description of each contact, the date and time of the contact, and the names of the registered lobbyist(s) and the employee(s) with whom the contact took place. Written materials prepared by registered lobbyists should be attached to this form for posting on the website. The information on this form will be available to the public on Treasury's website.

To be completed by the employee contacted		
Date and time of contact:	Name of the Employee(s) Contacted (Name and Title)	Brief description of the communication: (attach separate sheet if necessary)
February 18, 2010	Secretary Geithner	See Attached
Name of the Employee(s) who prepared this form:		Date

Registered Lobbyist Name: American Bankers Association, American Financial Services Association, Consumer Mortgage Coalition, Housing Policy Council, Mortgage Bankers Association	Title:	Firm or Organization., if applicable American Bankers Association, American Financial Services Association, Consumer Mortgage Coalition, Housing Policy Council, Mortgage Bankers Association	Client Self
---	--------	--	----------------

February 18, 2010

EXECUTIVE SECRETARIAT

END MAR -2 A 10-53

**American Bankers Association  
American Financial Services Association  
Consumer Mortgage Coalition  
Housing Policy Council  
Mortgage Bankers Association**

DEPARTMENT OF  
THE TREASURY

The Honorable Timothy F. Geithner  
Secretary of the Treasury Department  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Mr. Edward DeMarco  
Acting Director  
Federal Housing Finance Agency  
1700 G Street, NW  
Washington, D.C. 20552

**Re: Critical Need for HARP Extension**

Dear Secretary Geithner and Acting Director DeMarco:

The Home Affordable Refinance Program (HARP) permits homeowners who are current on their mortgage loans to refinance even though their home values have dropped. This helps responsible, performing borrowers receive the benefit of today's low mortgage rates and avoid unnecessary foreclosure. Authority under HARP is scheduled to sunset for loans closed after June 10, 2010.<sup>1</sup>

HARP is just as critical today as it was last year when it was introduced. In its first months of operation, HARP has become a significant contributor to the refinance market. We urge that HARP be extended before March 10th, in time to avoid market disruptions.

---

<sup>1</sup> The loan must be dated before June 10. For Fannie Mae loans, the loan must be delivered to Fannie Mae by October 1, 2010, and for Freddie Mac loans, the loan must be delivered within 120 days of the note date.

### *How HARP Solves A Problem*

When home values decline, refinancing often becomes difficult even for creditworthy borrowers who are able to make loan payments. Fannie Mae and Freddie Mac generally require down payments of 20% of the loan amount. Borrowers who do not have 20% down may purchase mortgage insurance and qualify for a Fannie Mae or Freddie Mac loan under a variety of programs. Recently, however, as home prices declined, mortgage insurers have been less likely to insure a mortgage loan, leaving many borrowers, particularly those with high loan-to-value (LTV) ratios, no options to lower their payments by refinancing and taking advantage of the current low rate environment.

HARP is designed for just this situation. It allows current borrowers to refinance loans owned by Fannie Mae or Freddie Mac with LTVs up to 125%. This helps avoid unnecessary foreclosures and helps keep families in their homes by improving mortgage affordability.

If a borrower is unable to take advantage of lower mortgage rates and refinance when the home value declines, the borrower may be forced into involuntarily – and unnecessary – foreclosure or, in some cases, may calculate that walking away from the loan is financially better than continuing to make above-market payments on an underwater loan.

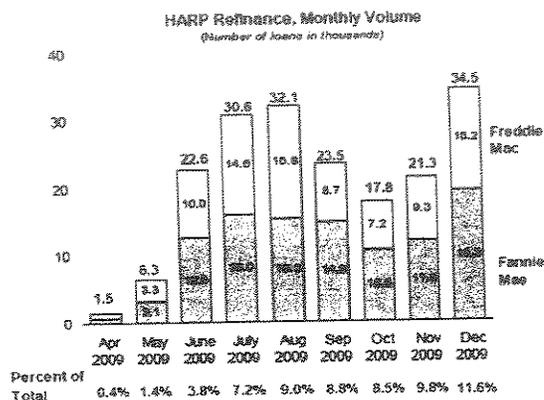
In this situation, HARP makes it easier for families to stay in their homes. Because HARP avoids unnecessary foreclosures, it helps maintain the quality of neighborhoods and helps maintain home prices. A refinance is better for Fannie Mae, Freddie Mac, and the taxpayers because the loan continues to produce cash flows that, while slightly reduced, are more likely to exceed the value of foreclosing on homes. HARP also appropriately rewards borrowers who have worked hard to stay current on their mortgage loans and who continue to demonstrate a responsible use of credit.

### *HARP Has Proven To Be Successful Even Though It is Relatively New*

For families with mortgage loans greater than their home values, HARP is the only feasible option. Because of this, HARP has been immediately successful even though it is still ramping up and not at its full potential. Indeed, 190,000 loans have been refinanced under HARP so far, even though it has been operational for less than a year. The program began in April and was underway by June. It began with a loan-to-value (LTV) ratio limit of 105%, later increased to 125%. Fannie Mae began accepting loans with an LTV of up to 125% on September 1, and Freddie Mac did so on October 1. The Federal Housing Finance Agency (FHFA) reports that HARP refinance performance as follows on the next page.<sup>2</sup>

---

<sup>2</sup> See [http://www.fhfa.gov/webfiles/15389/Foreclosure\\_Prev\\_release\\_1\\_29\\_10.pdf](http://www.fhfa.gov/webfiles/15389/Foreclosure_Prev_release_1_29_10.pdf) at page 4.



As this illustrates, HARP is a very substantial portion of the refinance market. Letting it sunset would be disruptive and detrimental.

***HARP Remains Critical***

Annual home prices in 2009 saw a record rate of decline, and prices remain depressed.<sup>3</sup> Nearly 10.7 million families, or 23 percent of homeowners with mortgages, had negative equity in the third quarter of 2009, and another 2.3 million had equity of less than 5%.<sup>4</sup> That means 13 million mortgage loans have 5% or less equity, putting an enormous number of borrowers in the difficult position of having to decide what to do with an underwater loan.

For those whose loan is underwater, HARP is the only viable option. Until home prices rebound and remain elevated, HARP will remain the only viable option.

***HARP Extension Timing Can Avoid Market Disruptions***

It is important to note that the HARP program needs to be extended significantly in advance of its sunset date to prevent disruptions in this critical program and to prevent unnecessary foreclosures.

Borrowers need “rate locks” as their refinance applications are processed, so that borrowers can be certain what the rate and payments will be on the new loan. Rate locks are for a predetermined period of time, such as 90 days or 60 days. The closer we get to June 10 without a HARP extension, the shorter the HARP rate locks will need to

<sup>3</sup> See [http://www.standardandpoors.com/servlet/BlobServer?blobheadername3=MDT- Type&blobcol=urldata&blobtable=MungoBlobs&blobheadervalue2=inline%3B+filename%3DS%26P\\_Case\\_Shiller\\_2009\\_Review.pdf&blobheadername2=Content-Disposition&blobheadervalue1=application%2Fpdf&blobkey=id&blobheadername1=content-type&blobwhere=1243640559694&blobheadervalue3=UTF-8](http://www.standardandpoors.com/servlet/BlobServer?blobheadername3=MDT- Type&blobcol=urldata&blobtable=MungoBlobs&blobheadervalue2=inline%3B+filename%3DS%26P_Case_Shiller_2009_Review.pdf&blobheadername2=Content-Disposition&blobheadervalue1=application%2Fpdf&blobkey=id&blobheadername1=content-type&blobwhere=1243640559694&blobheadervalue3=UTF-8)

<sup>4</sup> See [http://www.facorelogic.com/uploadedFiles/Newsroom/Mortgage/MP\\_09\\_Sept\\_Full\\_Issue.pdf](http://www.facorelogic.com/uploadedFiles/Newsroom/Mortgage/MP_09_Sept_Full_Issue.pdf)

be. That is, if HARP is not extended by March 12, lenders will be unable to give 90-day HARP rate locks, and if the program is not extended by April 11, lenders will no longer be able to give even 60-day HARP rate locks.

*Conclusion*

To keep creditworthy, performing borrowers in their homes and out of unnecessary foreclosure, to maintain neighborhoods and home prices, and to protect Fannie Mae, Freddie Mac, and taxpayers from unnecessary losses, we urge that HARP be extended for one year, without delay, until house prices rebound.

Sincerely,

American Bankers Association  
American Financial Services Association  
Consumer Mortgage Coalition  
Housing Policy Council  
Mortgage Bankers Association

cc:

Michael J. Williams, President and Chief Executive Officer, Fannie Mae  
Mr. Charles E. Haldeman, Jr., President and Chief Executive Officer, Freddie Mac