



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

March 2, 2011

The Honorable Judy Biggert
Chairman
House Financial Services Subcommittee on Insurance, Housing and Community Opportunity
2113 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Biggert:

Thank you for the opportunity to provide a statement for the record for today's hearing on "Legislative Proposals to End Taxpayer Funding for Ineffective Foreclosure Mitigation Programs."

I write to express the Administration's strong opposition to these four proposals aimed at eliminating the Neighborhood Stabilization Program, the Federal Housing Administration Short Refinance Program, the Emergency Homeowner Relief Fund, and the Home Affordable Modification Program ("HAMP").

The Department of Housing and Urban Development has principal responsibility for the first three programs, and I understand that Assistant Secretary for Housing and Commissioner of the Federal Housing Administration David Stevens and Assistant Secretary for Community Planning and Development Mercedes Marquez will be testifying at today's hearing to discuss these programs in more detail. The Department of the Treasury administers HAMP. Therefore, I am writing to explain why it is important to continue this critical program and to urge you to oppose the "HAMP Termination Act of 2011."

Terminating HAMP before the end of 2012 would be a mistake. HAMP continues to help tens of thousands of additional families every month with mortgage modifications that provide the typical borrower with a \$500 reduction in monthly mortgage payments. Put simply, ending HAMP now, without a meaningful alternative in place, would mean that struggling homeowners would have far fewer ways of coping with the worst housing crisis in generations. Instead, their fate would be left solely in the hands of the same mortgage servicers whose standards are widely recognized to be in need of reform.

HAMP's impact on the housing market goes far beyond the number of permanent modifications achieved. By setting affordability standards and developing a framework for how mortgage servicers should provide assistance to struggling homeowners, HAMP provides critical protections for homeowners and has catalyzed improvements in modifications across the board.

It is also important to note that HAMP utilizes a pay-for-success model in most of its programs. Taxpayer funds are used *only* for homeowners in permanent modifications and only so long as those homeowners continue to make payments. As required by statute, any unused funds at the expiration of the program will be used to pay down the national debt. *In short, the program only uses taxpayer funds to the degree it succeeds.*

For your further information, attached are: 1) a document entitled *Home Affordable Modification Program (HAMP) Fact vs. Fiction*, and 2) the testimony of Ms. Phyllis Caldwell, Chief, Homeownership Preservation Office, before your Subcommittee on February 16, 2011.

I strongly urge you and your colleagues to oppose the early termination of HAMP, and to work with the Administration to ensure that struggling homeowners continue to have meaningful tools to avoid foreclosure and to keep their homes.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tim Massad".

Timothy G. Massad
Acting Assistant Secretary
Office of Financial Stability

cc: Subcommittee on Insurance, Housing and Community Opportunity Ranking Member
Luis Gutierrez
Members, House Financial Services Committee

Attachments