

# The Obama Administration's Efforts To Stabilize The Housing Market and Help American Homeowners



August 2010

U.S. Department of Housing and Urban Development | U.S. Department of the Treasury

The Administration's goal is to promote stability for both the housing market and homeowners. To meet these objectives in the context of a very challenging market, the Administration developed a broad approach implementing state and local housing agency initiatives, tax credits for homebuyers, neighborhood stabilization and community development programs, mortgage modifications and refinancing, continued Federal Housing Administration (FHA) engagement, and support for Fannie Mae and Freddie Mac. In addition, Federal Reserve and Treasury MBS purchase programs have helped to keep mortgage interest rates at record lows over the past year. More detail on the Administration's efforts can be found in the Appendix.

## August 2010 Scorecard on Administration's Comprehensive Housing Initiative

The President's housing market recovery efforts began immediately after taking office in February 2009. As of August 2010, the Administration's comprehensive response, as outlined above, has yielded the following results:

- **Stabilizing housing prices drive improving expectations in some regions:** After 30 straight months of decline, home prices have leveled off in the past year; futures indices have shifted upward since January 2009 as signs of recovery continue although overall housing outlook measures remain mixed.
- **Historic low rates continue to promote affordability:** Families continue to benefit from the lowest rates in history on 30-year fixed mortgages. Since April of 2009, record low rates have helped 7.1 million homeowners to refinance, resulting in more stable home prices and \$12.7 billion in total borrower savings.
- **More than twice as many modification arrangements begun compared to foreclosure completions:** More than 3.15 million modification arrangements were done from April 2009 through the end of June 2010. This includes more than 1.3 million trial Home Affordable Modification Program (HAMP) modifications started, over 472,000 FHA loss mitigation and early delinquency interventions, and 1.4 million proprietary modifications under HOPE

Now. The number of agreements offered continues to more than double foreclosure completions for the same period (1.24 million).

- **More than 4.2 million families have benefited from housing counseling since April 2009:** Working with a HUD-approved housing counselor can help borrowers manage debts apart from a mortgage – car payments, credit cards and personal loans, for example – and help them to avoid falling into default.
- **More than 37,000 homeowners received a HAMP permanent modification in July:** While the pace of program entry has slowed due to upfront documentation requirements in place since June 1, this policy change streamlines the process to help more eligible homeowners convert to a permanent modification. Homeowners in permanent modifications are experiencing a median payment reduction of 36 percent, or more than \$500 per month. View the latest Making Home Affordable program report at: <http://www.financialstability.gov/docs/JulyMHAPublic2010.pdf>

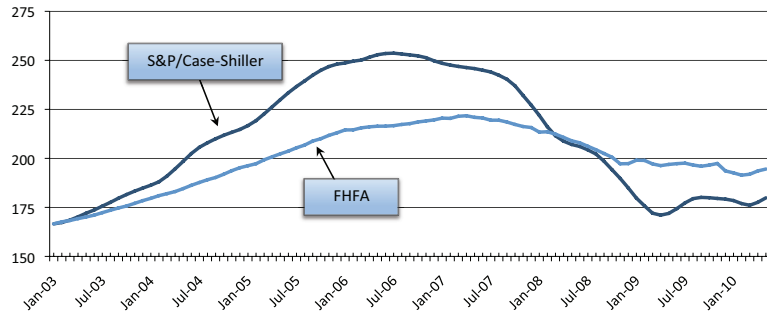
Despite these positive indicators, some data in the August report underscores continued market fragility, suggesting recovery will take place over time. For example, foreclosure starts went up slightly in July from the previous month, but remain well below July 2009 levels. Foreclosure completions also inched upward as the volume of serious delinquencies continues to work through the pipeline.

The impact of new and expanded resources introduced in July is expected to contribute to progress captured in future Housing Scorecards. For example, the FHA announced a short refinance option targeted to help people who owe more on their mortgage than their home is worth because their local markets saw large declines in home values. The option will allow certain underwater non-FHA borrowers – those current on their existing mortgage and whose lenders agree to write off at least 10 percent of the unpaid principal balance of the first mortgage – the opportunity to qualify for a new FHA-insured mortgage.



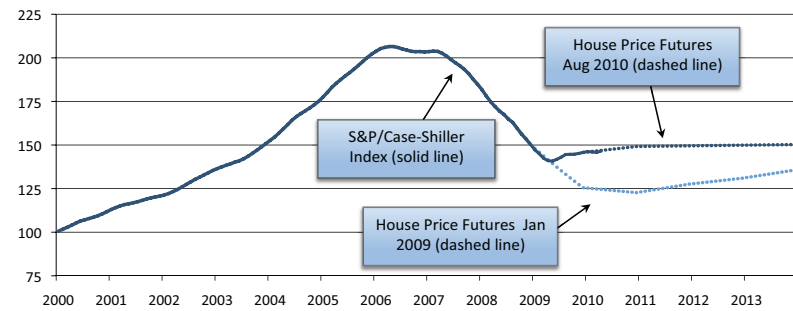
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**House Prices Show Signs of Stabilizing**  
 Monthly House Price Trends (\$ Thousands)



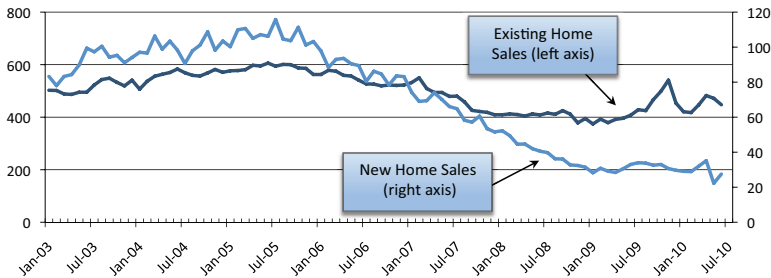
Sources: Standard & Poor's, Federal Housing Finance Agency, and HUD.  
 See Note 1, Sources and Methodology.

**Expectations on House Prices Have Shifted Up from 2009**  
 S&P/Case-Shiller, House Price Futures Index (Jan 2000 = 100)



Sources: Standard and Poor's and CME Group.  
 See Note 2, Sources and Methodology.

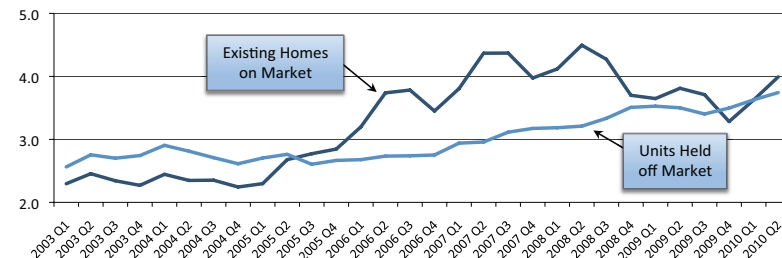
**Existing and New Home Sales**  
 Monthly Sales (Thousands)



Seasonally Adjusted  
 Source: National Association of Realtors®, Census Bureau, and HUD.  
 See Note 3, Sources and Methodology.

**Existing Homes on the Market Below Peak, But Number of Units Held Off the Market Has Increased**

Existing Homes Available for Sale (End of Period) and Total Vacant Housing Units (Year Round) Off Market (Millions)



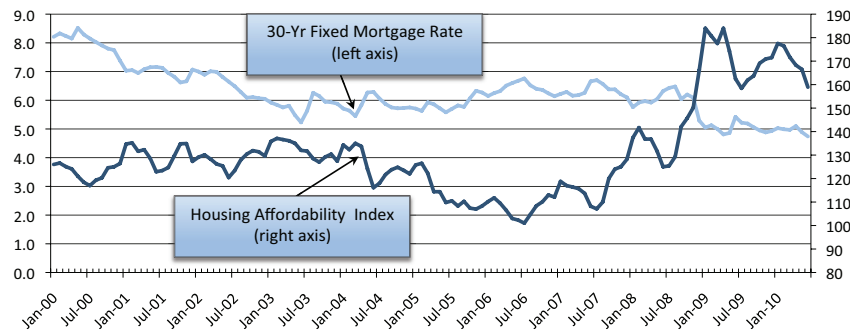
Sources: National Association of Realtors® and Census Bureau.



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### Mortgage Rates Fall to Record Low and Affordability Index Remains High

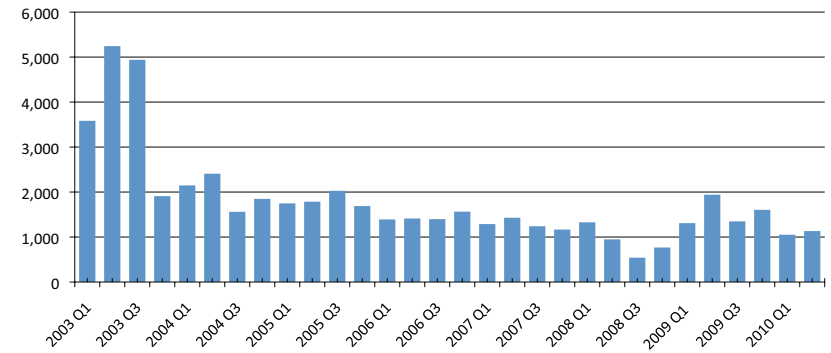
Percentage Rates (left axis) and Index Values



Sources: Freddie Mac and National Association of Realtors.®

### 7.1 Million Homeowners Have Refinanced Since April 1, 2009

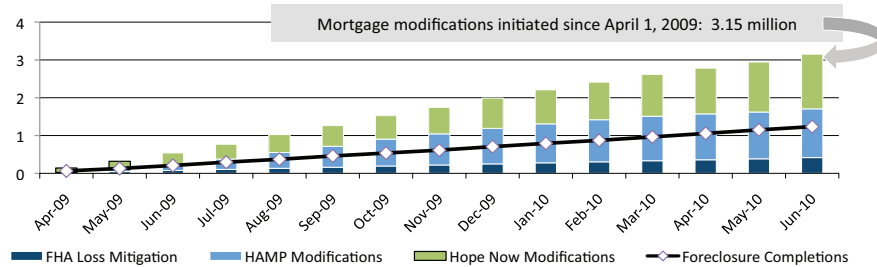
Quarterly Refinance Mortgage Originations (Thousands)



Sources: Mortgage Bankers Association and HUD.  
See Note 4, Sources and Methodology.

### Mortgage Aid Has Been Extended to More than Three Million Borrowers, Outpacing Foreclosures

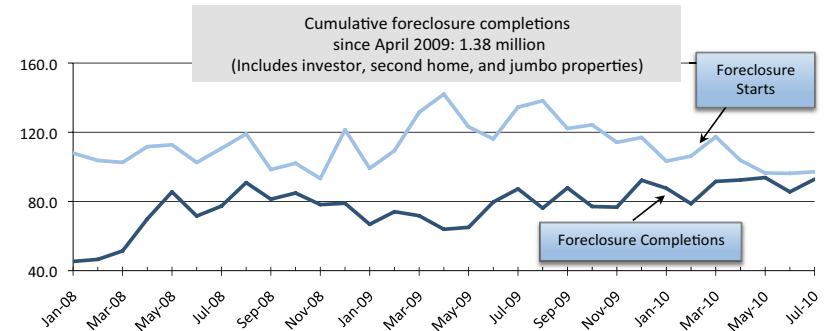
Cumulative Mortgage Modifications Offered and Mortgages Foreclosed Since April 1, 2009 (Millions)



Sources: HUD, Dept. of Treasury, Hope Now Alliance., and Realty Trac.  
See Note 5, Sources and Methodology.

### Foreclosure Starts and Completions Remain Elevated

Monthly Foreclosure Actions (Thousands)

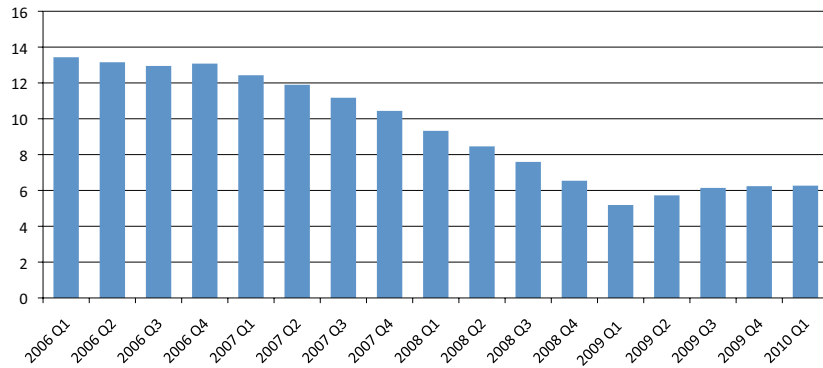


Source: Realty Trac.  
See Note 6, Sources and Methodology.



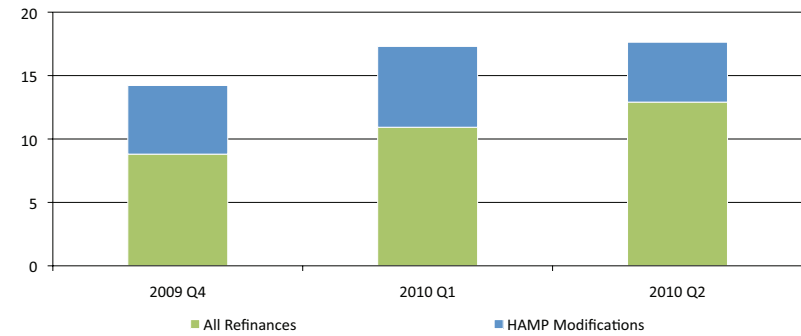
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**Home Equity Up More than \$1 Trillion Since First Quarter 2009**  
Owners' Equity in Household Real Estate at End of Period (\$ Trillions)



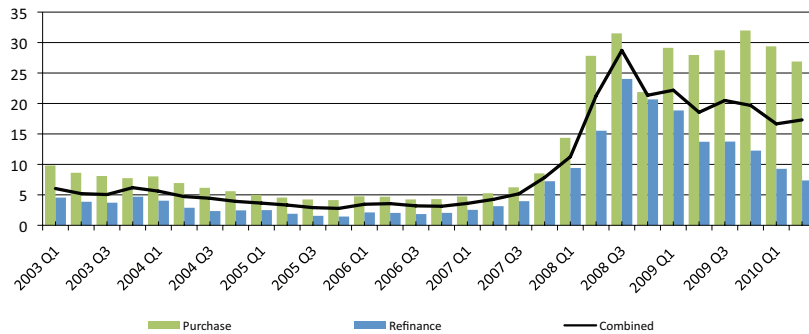
Source: Federal Reserve Board.

**Homeowners Save From Reduced Mortgage Payments**  
Annualized Savings from Payment Reductions (\$ Billions)



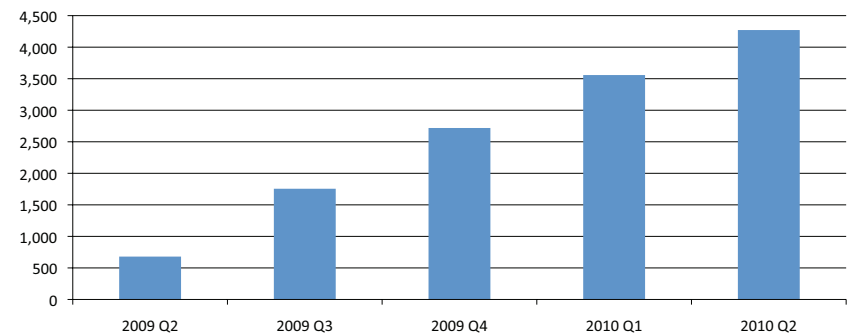
Aggregate annual reduction in mortgage payments on refinances and loan modifications since April 1, 2009.  
Sources: MBA, Treasury, Freddie Mac, and HUD.  
See Note 7, Sources and Methodology.

**FHA Supports Mortgage Lending During Crisis**  
FHA as Share of Quarterly Mortgage Originations by Type (Percent)



Sources: MBA and HUD.  
See Note 8, Sources and Methodology.

**Housing Counselors Serve Millions of Families**  
Cumulative Households Counseled Since Apr 1, 2009 (Thousands)



Source: HUD.



The Obama Administration's Efforts To Stabilize The Housing Market and Help American Homeowners | August 2010

HOUSING ASSISTANCE AND STABILIZATION PERFORMANCE METRICS

Indicator	This Period	Last Period	Cumulative From Apr 1, 2009	Latest Release
Distressed Borrowers Assisted (thousands)				
HAMP Trial Modifications	24.6	38.7	1,307.5	July-10
HAMP Permanent Modifications	36.7	51.2	434.7	July-10
FHA Loss Mitigation Interventions	56.1	32.9	472.6	July-10
HOPE Now Modifications	123.2	112.1	1,445.9	June-10
Counseled Borrowers (thousands)	713.5	839.4	4,272	2nd Q 10
Borrower Annual Savings (\$ millions)				
HAMP Trial Modifications	-	-	2,313.3	2nd Q 10
HAMP Permanent Modifications	-	-	2,397.3	2nd Q 10
All Refinances	-	-	12,737.3	2nd Q 10 (r)
Activities Completed Under NSP (housing units)				
New Construction or Residential Rehab	3,033	2,537	9,249 [36,292] (b)	2nd Q 10 (r)
Demolition or Clearance	1,041	667	2,987 [8,252] (b)	2nd Q 10 (r)
Direct Homeownership Assistance	1,147	1,094	3,768 [18,000] (b)	2nd Q 10 (r)
Change in Aggregate Home Equity (\$ billions)	28.6	97.3	1,079.4	1st Q 10

HOUSING MARKET FACT SHEET

Indicator	This Period	Last Period	Year Ago	As of Dec 2008	Latest Release
Mortgage Rates (30-Yr FRM, percent)	4.42	4.44	5.12	5.1	19-Aug-10
Housing Affordability (index)	158.9	166.5	162.5	166.3	June-10
Home Prices (indices)					
Case Shiller (NSA)	146.4	144.6	140.0	150.5	May-10
FHFA (SA)	196.0	195.1	198.4	198.8	May-10
Home Sales (thousands, SA)					
New	27.5	22.3	33.0	31.4	June-10
Existing	447.5	471.7	407.5	395.0	June-10
First Time Buyers	223.3	232.1	207.0	174.8	June-10
Housing Supply					
Existing Homes for Sale (thousands, NSA)	3,992.0	3,893.0	3,811.0	3,700.0	June-10
Existing Homes - Months' Supply (months)	8.9	8.3	9.4	9.4	June-10
New Homes for Sale (thousands, SA)	210.0	213.0	280.0	353.0	June-10
New Homes for Sale - Months' Supply (months,SA)	7.6	9.6	8.5	11.2	June-10
Vacant Units Held Off Market (thousands)	3.7	3.6	3.5	3.5	2nd Q 10
Mortgage Originations (thousands)					
Refinance Originations	1,132.7	1,050.9	1,941.0	767.2	2nd Q 10 (r)
Purchase Originations	925.0	614.7	997.4	986.4	2nd Q 10 (r)
FHA Originations (thousands)					
Refinance Originations	27.0 (p)	32.0 (r)	67.0	62.9	July-10
Purchase Originations	63.0 (p)	128.1 (r)	112.4	72.7	July-10
Purchases by First Time Buyers	47.3 (p)	89.7 (r)	89.1	56.2	July-10
Mortgage Delinquency Rates (percent)					
Prime	5.4	5.6	5.2	4.4	July-10
Subprime	36.4	36.6	33.8	34.1	July-10
FHA	12.5	12.4	13.2	14.3	July-10
Seriously Delinquent Mortgages (thousands)					
Prime	1,861.8	1,889.0	1,542.6	912.8	July-10
Subprime	1,909.6	1,916.8	1,792.4	1,642.1	July-10
FHA	559.6	551.3	424.8	333.1	July-10
Underwater Borrowers (thousands)	11,276.9	11,321.7	10,163.3 (a)	-	1st Q 10
Foreclosure Actions (thousands)					
Foreclosure Starts	97.1	96.2	134.5	121.5	July-10
Notice of Foreclosure Sale	135.2	132.1	138.4	103.0	July-10
Foreclosure Completions	92.9	85.5	87.3	78.9	July-10

SA = seasonally adjusted, NSA = not SA, p = preliminary, a = adjusted for methodology change, r = revised, b = brackets include in process.



The Obama Administration's Efforts To Stabilize The Housing Market and Help American Homeowners | August 2010

SOURCES AND METHODOLOGY

A. Items in Tables

Description	Frequency	Sources	Notes on Methodology
Distressed Homeowners Assisted HAMP Trial Modifications HAMP Permanent Modifications FHA Loss Mitigation Interventions HOPE Now Modifications	Monthly Monthly Monthly Monthly	Treasury Treasury HUD Hope Now Alliance	As reported. As reported. All FHA loss mitigation and early delinquency interventions. All proprietary modifications completed.
Counseled Borrowers (thousands)	Quarterly	HUD	Housing counseling activity reported by all HUD-approved housing counselors.
Borrower Annual Savings HAMP Trial Modifications	Quarterly	HUD, Treasury, and Freddie Mac	HUD estimate of annualized savings based on Treasury reported active HAMP trial modifications and Freddie Mac monthly savings estimates.
HAMP Permanent Modifications	Quarterly	HUD and Treasury	HUD estimate of annualized savings based on Treasury reported active HAMP permanent modifications and median monthly savings estimates.
All Refinances	Quarterly	HUD, and MBA	Refinance originations (see below) multiplied by HUD estimate of annualized savings per refinance.
Completed Activities under NSP (housing units) New Construction or Residential Rehab	Quarterly	HUD	Housing units constructed/rehabilitated using Neighborhood Stabilization Program. Bracketed numbers include units in process, to be completed by 3/2013.
Demolition or Clearance	Quarterly	HUD	Housing units demolished/cleared using Neighborhood Stabilization Program. Bracketed numbers as above.
Direct Homeownership Assistance	Quarterly	HUD	Completed downpayment assistance or non-amortizing second mortgages by grantee to make purchase of NSP unit affordable. Bracketed numbers as above.
Change in Aggregate Home Equity	Quarterly	Federal Reserve Board	Difference in aggregate household owners' equity in real estate as reported in the Federal Reserve Board's Flow of Funds Accounts of the United States for stated time period.
Mortgage Rates (30-Yr FRM)	Weekly	Freddie Mac	Primary Mortgage Market Survey, as reported.
Housing Affordability	Monthly	National Association of Realtors®	NAR's composite housing affordability index as reported. A value of 100 means that a family with the median income has exactly enough income to qualify for a mortgage on a median-priced home. An index above 100 signifies that family earning the median income has more than enough income to qualify.
Home Prices Case-Shiller (NSA)	Monthly	Standard and Poor's	Case-Shiller 20-metro composite index, January 2000 = 100. Standard and Poor's recommends use of not seasonally adjusted index when making monthly comparisons.
FHFA (SA)	Monthly	Federal Housing Finance Agency	FHFA monthly (purchase-only) index for US, January 1991 = 100.
Home Sales (SA) New	Monthly	HUD and Census Bureau	Seasonally adjusted annual rates divided by 12. A newly constructed house is considered sold when either a sales contract has been signed or a deposit accepted, even if this occurs before construction has actually started.
Existing	Monthly	National Association of Realtors®	Seasonally adjusted annual rates divided by 12. Existing-home sales, which include single-family, townhomes, condominiums and co-ops, are based on transaction closings. This differs from the U.S. Census Bureau's series on new single-family home sales, which are based on contracts or the acceptance of a deposit.
First Time Buyers	Monthly	NAR, Census Bureau, and HUD	Sum of seasonally adjusted new and existing home sales (above) multiplied by National Association of Realtors® annual estimate of first time buyer share of existing home sales.
Housing Supply Existing Homes for Sale (NSA) Existing Homes - Months' Supply New Homes for Sale (SA) New Homes for Sale - Months' Supply (SA) Vacant Units Held Off Market t	Monthly Monthly Monthly Monthly Quarterly	National Association of Realtors® National Association of Realtors® HUD and Census Bureau HUD and Census Bureau Census Bureau	As reported. As reported. As reported. As reported. As reported.
Mortgage Originations Refinance Originations	Quarterly	Mortgage Bankers Association and HUD	HUD estimate of refinance originations based on MBA estimate of dollar volume of refinance originations.
Purchase Originations	Quarterly	Mortgage Bankers Association and HUD	HUD estimate of home purchase originations based on MBA estimate of dollar volume of home purchase originations.
FHA Originations Refinance Originations Purchase Originations Purchases by First Time Buyers	Monthly Monthly Monthly	HUD HUD HUD	FHA originations reported as of date of loan closing. Estimate for current month scaled upward due to normal reporting lag and shown as preliminary.
Mortgage Delinquency Rates (NSA) Prime Subprime FHA	Monthly Monthly Monthly	LPS-McDash Analytics LPS-McDash Analytics HUD	Total mortgages past due (30+ days) but not in foreclosure, divided by mortgages actively serviced. Total mortgages past due (30+ days) but not in foreclosure, divided by mortgages actively serviced. Total FHA mortgages past due (30+ days) but not in foreclosure, divided by FHA's insurance in force.
Seriously Delinquent Mortgages Prime Subprime FHA	Monthly Monthly Monthly	LPS-McDash, MBA, and HUD LPS-McDash, MBA, and HUD HUD	Mortgages 90+ days delinquent or in foreclosure, scaled up to market. Mortgages 90+ days delinquent or in foreclosure, scaled up to market. Mortgages 90+ days delinquent or in foreclosure.
Underwater Borrowers	Quarterly	First American Corelogic	As reported. Due to change in reporting methodology, underwater borrower estimates prior to the third quarter of 2009 are adjusted to be compatible with current estimates.
Foreclosure Actions Foreclosure Starts Notice of Foreclosure Sale Foreclosure Completions	Monthly Monthly Monthly	Realty Trac Realty Trac Realty Trac	Notice of default plus <i>lis pendens</i> . Notice of sale (auctions). Real Estate Owned (REO).



## SOURCES AND METHODOLOGY

### B. Notes on Charts.

1. Monthly house price trends shown as changes in respective house price indices applied to a common base price set equal to the median price of an existing home sold in January 2003 as reported by the National Association of Realtors. Indices shown: S&P/Case Shiller 20-metro composite index (NSA), January 2000 = 100, and FHFA monthly (purchase-only) index for US (SA), January 1991 = 100.
2. S&P/Case-Shiller 20 metro composite index (SA) as reported monthly. Futures index figures report forward expectations of the level of the S&P/Cash Shiller index as of the date indicated, based upon prices of futures contracts reported by CME Group.
3. Reported seasonally adjusted annual rates for new and existing home sales divided by 12.
4. HUD estimate of refinance originations based on MBA estimate of dollar volume of refinance originations.
5. Cumulative HAMP modifications started, FHA loss mitigation and early delinquency interventions, plus proprietary modifications completed as reported by Hope Now Alliance. Foreclosure completions are properties entering Real Estate Owned (REO) as reported by Realty Trac.
6. Foreclosure starts include notice of default and *lis pendens*, completions are properties entering REO. Both as reported by Realty Trac.
7. See "Borrower Annual Savings" above.
8. FHA market shares as FHA purchase and refinance originations divided by HUD estimates of purchase and refinance mortgage originations as noted in "Mortgage Originations" above.



## Appendix

The Administration has taken a broad set of actions to stabilize the housing market and help American homeowners. A year ago, stress in the financial system had severely reduced the supply of mortgage credit, limiting the ability of Americans to buy homes or refinance mortgages. Millions of responsible families who had made their monthly payments and had fulfilled their obligations saw their property values fall. They also found themselves unable to refinance at lower mortgage rates.

In February 2009, less than one month after taking office, President Obama announced the Homeowner Affordability and Stability Plan. As part of this plan and through other housing initiatives, the Administration has taken the following actions to strengthen the housing market:

- Supported to Fannie Mae and Freddie Mac to ensure continued access to affordable mortgage credit;
- The Federal Reserve and the U.S. Treasury purchased more than \$1.4 trillion in agency mortgage backed securities through independent MBS purchase programs, helping to keep mortgage rates at historic lows;
- Launched a modification initiative to help homeowners reduce mortgage payments to affordable levels and to prevent avoidable foreclosures;
- Launched a \$23.5 billion Housing Finance Agencies Initiative to increase sustainable homeownership and rental resources;
- Supported the First Time Homebuyer Tax Credit, which has helped 2.5 million American families purchase homes;
- Provided more than \$5 billion in support for affordable rental housing through low income housing tax credit programs and \$2 billion in support for the Neighborhood Stabilization Program through the Recovery Act to restore neighborhoods hardest hit by concentrated foreclosures;
- Created the \$2.1 billion HFA Hardest Hit Fund for innovative foreclosure prevention programs in the nation's hardest hit housing markets.
- Supported home purchase and refinance activity through the FHA to provide access to affordable mortgage capital and help homeowners prevent foreclosures.

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