
FEDERAL HOUSING FINANCE AGENCY



STATEMENT

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Statement of Edward J. DeMarco on Home Affordable Refinance Program (HARP)

Last night President Obama spoke of the Administration's intent to work with federal agencies to take advantage of historically low interest rates and refinancing opportunities.

The Federal Housing Finance Agency (FHFA) has been reevaluating an existing program, the Home Affordable Refinance Program (HARP), to determine if there are ways to extend the benefits of this refinance product to more borrowers. FHFA, in coordination with the Obama Administration, introduced HARP in 2009 to provide more borrowers with an opportunity to refinance into a lower interest rate and/or more stable mortgage product, in an effort to avoid future mortgage defaults and thereby reduce credit losses for Fannie Mae and Freddie Mac (and hence taxpayers). The program covers only mortgages owned or guaranteed by Fannie Mae or Freddie Mac (the Enterprises) and originated before June 2009.

To be eligible, borrowers must be current on their payments and have a current loan-to-value ratio (LTV) between 80 and 125 percent. An essential element of this program is the allowance to carry forward into the new loan any existing private mortgage insurance from the prior mortgage or, if no mortgage insurance existed, none would be required for the refinanced mortgage.

As of June 30, 2011, more than 838,000 borrowers had refinanced through the HARP program – a meaningful number but fewer than expected or eligible for the program. In the meantime, continued declines in house prices and recent declines in mortgage interest rates to historic low levels suggest that more households could benefit from this program and, importantly, such refinances could reduce the Enterprises' credit risk.

FHFA is carefully reviewing the mechanics of the HARP program to identify possible enhancements that would reduce barriers for borrowers already otherwise eligible to refinance using HARP. If there are frictions associated with the origination of HARP loans that can be eased while still achieving the program's intent of assisting borrowers and reducing credit risk for the Enterprises, we will seek to do so. Most creditworthy borrowers outside of the HARP program parameters and with positive equity should be able to refinance their mortgage through normal market mechanisms. Indeed, since HARP's inception the Enterprises have completed more than 1 million streamlined refinances outside of HARP and nearly 7 million standard "rate and term" refinances.

FHFA is also considering the barriers to refinancing mortgages that would otherwise be HARP eligible but for having a current LTV above 125 percent, HARP's current ceiling. There are several challenging issues to work through here and the outcome of this review is uncertain. Still, FHFA is carefully analyzing this group of Enterprise loans for inclusion in HARP. As we do so, our objective is to achieve the original and central purpose of HARP - provide borrowers in high-LTV loans who have a history of making on-time mortgage payments with an opportunity to refinance, resulting in reduced credit risk to the Enterprises and added stability to housing.

FHFA staff has been analyzing these issues and discussing with a range of stakeholders various "frictions" in HARP and what may be done to ease those frictions. The final outcome of this review remains uncertain but FHFA believes this undertaking is worthwhile and consistent with our conservator responsibilities.

Background on HARP:

Latest HARP figures on p 13:

Fannie Mae and Freddie Mac Foreclosure Prevention Actions Down in Second Quarter; HARP Refinancings Continue Increase (9-1-11)

<http://www.fhfa.gov/webfiles/22583/2QForeclosurePrevReleasefinal090111.pdf> (news release + report)

FHFA Federal Property Manager's Report (Letters to Congress + same report as above)

<http://www.fhfa.gov/webfiles/22584/FPM2Q090111combined.pdf>

HARP extended twice—March 2010 and 2011 to June 2012

FHFA Extends Refinance Program By One Year (3/11/11)

<http://www.fhfa.gov/webfiles/20399/HarpExtended0311R.pdf>

FHFA Extends Refinance Program By One Year (3/1/10)

<http://www.fhfa.gov/webfiles/15466/HARPEXTENDED3110%5b1%5d.pdf>

HARP Expanded to 125% LTV:

FHFA AUTHORIZES FANNIE MAE AND FREDDIE MAC TO EXPAND HOME AFFORDABLE REFINANCE PROGRAM TO 125 PERCENT LOAN-TO-VALUE (7-1-09)

[http://www.fhfa.gov/webfiles/13495/125_LTV_release_and_fact_sheet_7_01_09\[1\].pdf](http://www.fhfa.gov/webfiles/13495/125_LTV_release_and_fact_sheet_7_01_09[1].pdf)

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The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than \$5.7 trillion in funding for the U.S. mortgage markets and financial institutions.