

# Emergency Mortgage Relief Program Termination Act, H.R. 836

**Bill Provisions.** The bill would rescind and permanently cancel all unobligated balances pursuant to the \$1 billion Emergency Mortgage Relief Program that was authorized and funded under Section 1496(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. (P.L. 111-203). The bill would also repeal the underlying authorization for loans and other assistance to unemployed homeowners. The effect would be to kill the program before any funds are made available to unemployed homeowners.

**Emergency Mortgage Relief Program.** The program is projected to help from 30,000 to 50,000 distressed homeowners. Under the program, \$1 billion is to be made available by HUD for loans to homeowners who are delinquent on their loans through no fault of their own – ie., as a result of unemployment or medical conditions. The purpose is to provide assistance with mortgage payments until the homeowner can find a job or is otherwise able to resume mortgage payments. The program fills an important gap, because HAMP and other private loan modification programs are designed to address a structural mismatch between a borrower's income and mortgage payments, while this program is designed to address what is hoped to be a temporary loss of income.

The program provides a zero interest bridge loan during the period (not to exceed 24 months) when the borrower can't make payments. The amount of the loan is designed to reduce monthly payments to an affordable 31% of a borrower's current income. When a borrower is able resume payments on the mortgage, the borrower must begin repayment of the bridge loan. HUD has structured such repayments with incentives for timely payment on that loan in the form of a reduction of 20% of the loan each year the borrower is current on that loan.

**Fund Distribution and Program Implementation.** Separately, using TARP funds, Treasury has been making available \$7.6 billion in cumulative funds under its "Hardest Hit Fund" to the 18 states that have been hardest hit by the housing crisis. In light of such assistance, HUD is distributing the \$1 billion in funds under the Emergency Mortgage Relief program to the remaining 32 states not receiving Hardest Hit Funds. HUD will distribute these funds according to an allocation formula. The program allows HUD to permit states with existing programs that are substantially similar to this one to administer their own funds, with HUD administering funds to homeowners in the remaining states. HUD is expected to release these funds in the next few months, and to determinate which states can administer their own funds.

**Prototype for Program.** The program is very similar to a program that has been administered for many years by the State of Pennsylvania, the "Homeowners Emergency Mortgage Assistance Program," also known as entitled HEMAP. Since its inception in 1983, 45,316 homeowners in Pennsylvania have been assisted, at an average loan amount of \$11,000 per borrower. Like the federal program being proposed to be abolished by this bill, the HEMAP program provides loans to homeowners having mortgage payment problems because of unemployment, with the goal having the borrower resume payments when they are able to do so. 85% of HEMAP recipients have been able to keep their home as a result of such assistance.