# FACT SHEET: President Obama Announces New Steps to Provide Housing Relief to Veterans and Servicemembers and Help More Responsible Homeowners Refinance

In his State of the Union address, President Obama laid out a <u>Blueprint for an America Built to Last</u>, calling for action to help responsible borrowers and support a housing market recovery. While the government cannot fix the housing market on its own, the President believes that responsible homeowners should not have to sit and wait for the market to hit bottom to get relief when there are measures at hand that can make a meaningful difference.

Today, the President is announcing two steps the Administration is taking to support homeowners and their families – providing relief for servicemembers and veterans, including those wrongfully foreclosed upon or denied a lower interest rate on their mortgages, and reducing fees for FHA borrowers looking to refinance. Along with the President's broader plan to help millions of Americans refinance and save thousands of dollars a year, support the communities hardest-hit by the housing crisis, and help families avoid foreclosure and stay in their homes, this is part of the President's overall strategy to support responsible homeowners and the housing recovery.

<u>Providing Relief for Servicemembers and Veterans:</u> On top of the historic settlement completed by the Federal government and 49 state Attorneys General last month, major servicers will be providing significant relief to thousands of servicemembers and veterans. Under the agreement, they will:

- conduct a review of every servicemember foreclosed upon since 2006 and provide any who were wrongly foreclosed upon with compensation equal to a minimum of lost equity, plus interest and \$116,785;
- refund to servicemembers money lost because they were wrongfully denied the opportunity to reduce their mortgage payments through lower interest rates;
- provide relief for servicemembers who are forced to sell their homes for less than the amount they owe on their mortgage due to a Permanent Change in Station;
- pay \$10 million dollars into the Veterans Affairs fund that guarantees loans on favorable terms for veterans; and
- extend certain foreclosure protections afforded under the Servicemember Civil Relief Act to servicemembers serving in harm's way.

Reducing Fees for FHA Borrowers Seeking to Refinance: As part of the President's aggressive effort to reduce barriers and costs for refinancing, the Administration is also announcing that the FHA will cut its fees for refinancing loans already insured by the FHA. An estimated 2-3 million borrowers could be eligible for this savings, providing the typical FHA borrower with the opportunity to save about a thousand dollars a year through refinancing than they could have under today's fee structure.

#### **Providing Relief to Servicemembers and Vets Hurt by Mortgage Abuses**

Today, the President is announcing relief that will be provided to thousands of servicemembers and veterans by servicers on top of the historic settlement completed by the Federal government and 49 state Attorneys General last month. This relief – which is in addition to the over \$25 billion committed through the overall settlement – includes:

- Compensating Servicemembers Wrongfully Foreclosed Upon. Servicers will conduct a review overseen by the Department of Justice's Civil Rights Division of the files of every servicemember foreclosed upon since 2006 to determine whether any were foreclosed on in violation of the Servicemembers Civil Relief Act (SCRA). Servicers will compensate those who were with a payment equal to whichever of the following sums is higher:
  - o the servicemember's lost equity, plus interest, and an additional \$116,785; or
  - o an amount provided for the same violation as a result of a review conducted by the banking regulators.
- Compensating Servicemembers Wrongfully Charged Higher Interest Rates:

  Servicers will conduct a review also overseen by DOJ's Civil Rights Division of the files of their servicemember clients dating back to 2008 to determine whether they charged any an interest rate in excess of 6% on their mortgage after a valid request to lower the rate, in violation of the SCRA. Servicers will be required to provide any servicemember who was wrongfully charged interest in excess of 6% with a payment equal to at least four times the amount wrongfully charged.
  - For example, if a servicemember who took out a \$200,000 mortgage with a 7% interest rate was wrongfully denied a request to lower their interest rate to 6% over a course of 18 months, they would receive a payment of over \$9,000, plus interest.
- Providing Relief for Servicemembers Forced to Sell Their Home at a Loss Due to a Permanent Change in Station: Under the Department of Defense's Homeowners' Assistance Program (HAP), some servicemembers who are forced to sell their home at a loss due to a Permanent Change in Station (PCS) may be compensated for the loss in their home's value. Under this settlement, servicers will provide short sale agreements and deficiency waivers to those servicemembers who were forced to sell their home for less than they owe on their mortgage due to a PCS, but who are not eligible for HAP. This means that the benefits of that program will finally be extended to servicemembers who bought their homes between July 1, 2006 and December 31, 2008, or who received a PCS after October 1, 2010.
- **<u>\$10 Million for the Veterans Housing Benefit Program</u>**. Under the settlement, servicers will pay \$10 million into the Veterans Housing Benefit Program Fund, through which the Department of Veterans Affairs guarantees loans provided on favorable terms to eligible veterans.

• Foreclosure Protections for Servicemembers Receiving Hostile Fire/Imminent

Danger Pay. The SCRA prohibits servicers from foreclosing on active duty servicemembers without first securing a court order, but only if their loan was secured when they were not on active duty. The settlement extends this protection to all servicemembers, regardless of when their mortgage was secured, who within nine months of the foreclosure received Hostile Fire/Imminent Danger Pay and were stationed away from their home.

#### For further questions:

- Any Servicemember who believes his or her rights were violated by Bank of America,
  J.P. Morgan Chase, Ally, Citi, or Wells Fargo can contact the Justice Department directly
  at 1-800-896-7743. The Department will have access to information to determine
  whether or not servicemembers are victims and the settlement requires those individuals
  to be contacted.
- Servicemembers and their dependents who believe that their SCRA rights have been violated should contact the nearest Armed Forces Legal Assistance office. For the relevant contact information, please consult the military legal assistance office locator at <a href="http://legalassistance.law.af.mil">http://legalassistance.law.af.mil</a> and click on the Legal Services Locator.
- Additional information about the Justice Department's enforcement of the SCRA and the other laws protecting servicemembers is available at www.servicemembers.gov.

### <u>Reducing Fees for FHA Borrowers Seeking to Refinance – Saving</u> Homeowners Hundreds of Dollars A Year

The FHA offers a streamlined refinancing program to allow borrowers with FHA-backed mortgages to refinance their loans at lower cost and with fewer burdens. This program has helped hundreds of thousands of families refinance, but lender reticence and fees have kept many families from participating. Today, the President is announcing new steps to increase the reach and effectiveness of the program, reducing the fees that participants will pay on these loans.

- Cutting its Fees Substantially: The FHA currently charges an up-front mortgage insurance premium of 1% of the borrower's loan balance and an additional 1.15% of the balance per year. FHA is reducing the up-front premium to .01% for streamlined refinancings of loans originated prior to June 1, 2009 and cutting the annual fee for these refinancings in half, to .55%. Together these reductions could save the typical FHA borrower about a thousand dollars a year.
- An Estimated 2-3 Million FHA Borrowers Will Be Eligible to Benefit: We estimate that approximately 2-3 million FHA borrowers are eligible to benefit from the program with these changes. While it is always difficult to estimate participation in these programs, this will result in significant monthly savings for hundreds of thousands of families.

## Reduction in Fees Could Save the Typical Borrower About a Thousand Dollars a Year - On Top of Savings from Refinancing

- Consider a typical FHA borrower with \$175,000 outstanding on their mortgage. Currently, if this borrower refinanced into a 4% loan, they could reduce their monthly payments to nearly \$1,010 a month, including both the upfront and monthly mortgage insurance premiums.
- With lower mortgage insurance premiums, this borrower could reduce their total monthly payments to about \$915 per month. That means nearly \$100 in <u>additional</u> <u>savings</u> per month for an FHA borrower on top of the savings they would receive from refinancing to a lower interest rate.
- Fee Reduction Builds on Earlier Efforts to Expand Access to FHA Refinancing by Removing Refinancing Program from Lender Report Card: Earlier this year, the Administration announced changes that will finally remove the reticence that many lenders have had to provide refinancing to additional families. The FHA uses a calculation called the "Compare Ratio" to assess lender performance and help determine whether they can continue to do business with the FHA going forward. To date streamlined refinances have been included in this calculation, and because many of the

loans refinanced through the program come from higher risk years, lenders have been reluctant to offer the program to customers for fear that it would impact their score and thus their relationship with FHA. The FHA has now removed these loans from that analysis, thus removing this cause for concern for lenders and opening this program up to many more families.

• Part of the President's Broader Strategy to Help Families Refinance and Save:

These steps are part of the Administration's broader plan to provide access to responsible

borrowers to refinancing – allowing the typical homeowner to save thousands of dollars a year. That includes:

- Providing Access to Refinancing for Borrowers With Loans Guaranteed by Fannie Mae or Freddie Mac: Many GSE borrowers who are current on their payments have nonetheless been unable to access refinancing, keeping them locked in high interest rate mortgages in a market offering historically low rates. To address one of the primary barriers to refinancing, a lack of adequate home equity, the Administration created the Home Affordable Refinance Program (HARP). This program has helped around a million GSE borrowers finally get access to the refinancing market, lowering their payments by hundreds of dollars a month.
- Putting Forward a Plan to Further Expand Access to Refinancing: On Feb. 1, the President announced a legislative plan to build on these changes to expand access to refinancing for responsible borrowers. The plan would remove the remaining barriers in the HARP program mentioned above, so that all those with loans insured by Fannie or Freddie who have been paying their mortgage on time will have access to simple, low-cost refinancing. It would also create a similar program for those families whose loans do not happen to be guaranteed by Fannie or Freddie. Together these steps would mean that no responsible borrower is locked out of today's low interest rates just because home prices in their neighborhood have fallen. This would provide approximately 11 million families with loans insured by Fannie and Freddie and 3.5 million families with non-GSE loans with the opportunity to save thousands of dollars a year.