

The following is an article by Alan Zibel I felt was important to pass on:

WASHINGTON -Only one in three homeowners who have signed up for the Obama administration's mortgage relief plan have sent back the necessary paperwork, highlighting continuing problems for the government's effort to stem the foreclosure crisis.

The poor results from the mortgage industry drew sharp criticism from House Financial Services Committee members Tuesday. Since the program was launched in March, lenders have made loan modification offers to just 680,000 borrowers, far short of the administration's goal of up to 4 million.

"Taxpayer-funded foreclosure mitigation programs have been an abject failure," said Rep. Jeb Hensarling, R-Texas, at a hearing on the program. "Throwing more money at programs that do not work is absolutely insane."

Under the program, eligible borrowers who are behind or at risk of default can have their mortgage interest rate reduced to as low as 2 percent for five years. They are given temporary modifications, which are supposed to become permanent after borrowers make three payments on time and complete necessary paperwork, including proof of income and a hardship letter. On Thursday, the government plans to release the first figures on how many modifications have been made permanent.

Much of the criticism for the disappointing results is being leveled at the banks, many of which received billions in taxpayer bailout dollars. Calls are growing louder on Capitol Hill for the Obama administration to take a tougher approach.

"We haven't spanked anybody," said Rep. Emanuel Cleaver, D-Mo. "I think they've come to the conclusion that spankings are not on the agenda ... Why can't we do something to one of them?"

Herbert Allison, the Treasury Department's assistant secretary for financial stability, said punishment could be in the works.

"We're putting them on notice," he said. "We will exact penalties ... and be publicly outspoken about who's performing well and who's not."

Lenders, however, say the majority of borrowers either don't complete the paperwork or don't make the payments. At Bank of America, for example, only a quarter of the 65,000 borrowers in trial modifications have sent back their paperwork.

The bank blamed "ineffective communications with customers, shortcomings in document maintenance, misunderstandings about program requirements, and the inability to comply by some borrowers," according to written remarks from Jack Schakett, Bank of America's credit

loss mitigation strategies executive.

But those explanations only prompted House members to threaten more legislation to curb the foreclosure crisis. A record 14 percent of homeowners with a mortgage are either behind on their payments or in foreclosure. Bargain-priced foreclosures are dragging down home values in neighborhoods across the country. Nationwide, American homeowners have lost \$4 trillion in home equity since the housing bust.

"We are terribly frustrated by what's happening," said Rep. Barney Frank, D-Mass., the committee chairman. He has proposed attaching \$3 billion in assistance for unemployed homeowners to a bill set for a vote in the House this week.