PROTECTING HOMEOWNERSHIP & CRACKING DOWN
ON MORTGAGE FRAUD IN TEXAS

The implosion of the subprime lending industry threatens to bring foreclosure to over two million households nationwide, and is spreading devastating impacts to the economy as a whole. Texans filed nearly 150,000 home foreclosures last year, with one out of 106 homes falling into foreclosure. The foreclosure epidemic has struck every part of the state, with 49,133 foreclosures in Dallas last year, 39,220 in Houston, 25,050 in Fort Worth, 13,699 in San Antonio, 10,100 in Austin, and 2,317 in El Paso. Over the past several years, while predatory lenders were driving low-income families into financial ruin, ten of the country's largest mortgage lenders were spending more than $185 million lobbying Washington to let them get away with it.

Barack Obama recognizes that the real victims in the subprime mortgage crisis are not the lenders, but the millions of borrowers who followed the rules and whose only crime was taking out mortgages that lenders told them they could afford. Normally, these borrowers could avoid foreclosure by refinancing their mortgages or selling their homes. Today's borrowers lack the refinancing and selling protections that used to help out families during a tough period. Too many families are unable to refinance because no one will lend to them, and they are unable to sell their homes because the housing market has fallen. As president, Obama will fight to ensure more Texas families can achieve and protect the dream of home ownership.

OBAMA'S PLAN TO PROTECT HOMEOWNERSHIP IN TEXAS

Combat Mortgage Fraud and Subprime Loans: Disingenuous lenders have used adjustable-rate subprime mortgages as "teasers," attracting homebuyers struggling to make ends meet with artificially low payments. Subprime mortgages, which helped fuel a surge in homeownership by providing loans to those who might not otherwise qualify, are now part of the problem because they are far more likely to go into delinquency. In Texas, subprime loans made up 18 percent of mortgages, but they accounted for about 45 percent of Texas foreclosures in 2006. In another tactic, appraisers artificially inflate the value of homes so that owners qualify for subprime mortgages. Barack Obama has been monitoring this situation for years, and introduced comprehensive legislation over a year ago to fight mortgage fraud and protect consumers against abusive lending practices. Obama's STOP FRAUD Act provides the first federal definition of mortgage fraud, increases funding for federal and state law enforcement programs, creates new criminal penalties for mortgage professionals found guilty of fraud, and requires industry insiders to report suspicious activity. This bill also provides counseling to homeowners and tenants to avoid foreclosures.

Create Fund to Help Texas Homeowners Avoid Foreclosures: Barack Obama will help Texans currently facing foreclosure through no fault of their own. There is mounting evidence that the rise in mortgage delinquency and foreclosures was led by aggressive and all too often abusive lending practices of many in the mortgage industry. And in communities where there are many foreclosures, property values of innocent homeowners are often also negatively impacted, driving them toward foreclosure, too. Obama will create a Foreclosure Prevention Fund to help people facing foreclosure stay in their homes and renegotiate with their lenders or sell their homes. The Fund will not help speculators, people who bought vacation homes or people who falsely represented their incomes. Given the downturn in the economy, Obama has called for immediate creation of this $10 billion fund as part of his economic stimulus package. The Fund will:

Paid for by Obama for America

- Dramatically increase emergency pre-foreclosure counseling resources.
- Allow families facing foreclosure to responsibly refinance their mortgages by working through the Federal Housing Administration, Fannie Mae and Freddie Mac. Resources will also be provided to these agencies to develop new loan products that are more flexible and enable distressed borrowers to refinance on terms that enable them to keep their homes.
- Assist individuals who purchased homes that are simply too expensive for their income levels to sell their homes. The fund will help offset the costs of selling a home, including by helping low-income borrowers get additional time and support to pay back any losses from the sale of their home, and waiving certain state and local income taxes that result from an individual selling their home to avoid foreclosure.
- Partner with state governments, community organizations and loan providers to ensure fair loan modifications can be made in a timely manner that avoids the need for foreclosure or bankruptcy.

Create a Universal Mortgage Credit: Many middle class Americans do not receive the existing mortgage interest tax deduction because they do not itemize their taxes. As a result, primarily wealthy Americans benefit from this homeownership tax incentive. Obama will ensure that middle-class Americans get the financial assistance they need to purchase or keep their own home by creating a 10 percent universal mortgage credit that gives tax relief to Americans who have a home mortgage. The Obama proposal will provide 10 million homeowners, most of whom earn under $50,000 per year, with an average of $500 in savings. This tax cut will provide direct relief to many homeowners who are struggling to maintain their mortgage payments.

Provide an Additional $10 Billion Worth of Mortgage Revenue Bonds: States like Texas use Mortgage Revenue Bonds to refinance subprime loans and provide mortgages for first-time homebuyers. But these bonds are over-subscribed in virtually all the states and are being rationed to respond to affordable housing needs. Barack Obama will provide $10 billion in additional Mortgage Revenue Bonds, at a cost of $50 million to the federal government, to help families facing foreclosure refinance and to enable low- and moderate-income first-time homebuyers purchase a home. Approximately, 1.7 million subprime adjustable rate mortgages worth $367 billion are expected to reset during 2008 and 2009. According to the National Association of Home Builders, every new Mortgage Revenue Bond home loan produces almost two full-time jobs, $75,000 in additional wages and salaries and $41,000 in new federal, state and local revenues.

Mandate Accurate Loan Disclosure: Today's subprime mortgage problem stems in large part from the lack of easy-to-understand information that borrowers receive from mortgage brokers. As president, Barack Obama will enact laws to ensure that all prospective Texas homebuyers have access to accurate and complete information about their mortgage options. Obama will create a Homeowner Obligation Made Explicit (HOME) score, which will provide potential borrowers with a simplified, standardized borrower metric (similar to APR) for home mortgages. The HOME score will allow Texans to easily compare various mortgage products and understand the full cost of the loan. The HOME score would also help borrowers understand their long-term obligations and would be required to include mandatory taxes and insurance.

Close Bankruptcy Loophole for Mortgage Companies: Barack Obama strongly opposed the 2005 bankruptcy bill, which is expected to have serious effects on low and middle-income borrowers of subprime mortgages. As president, Obama will work to eliminate the federal bankruptcy law's Chapter 13 provision that prevents bankruptcy courts from modifying an individual's mortgage payments, forcing individuals who seek bankruptcy protection to continue paying the full amount of their existing mortgage plans. The provision, which provides unique protection to the mortgage industry, places the interests of big lenders over those of low and middle-income Texans. Obama believes that the subprime mortgage industry, which has engaged in dangerous and sometimes unscrupulous business practices, should not be shielded by outdated federal law.