

# Homeowner Equity Improvement Noted in June Housing Scorecard

By: Jann Swanson | Fri, Jul 6 2012, 3:52 PM

The June Housing Scorecard, a joint publication of the U.S. Departments of Housing and Urban Development (HUD) and Treasury, was released this afternoon and once again makes the statement that "Market data show important progress in homeowner equity and home sales, but continued fragility overall."

**Home equity rose \$457.1 billion** in the first quarter of 2012, a 7.4 percent increase from the previous quarter and its highest level since the second quarter of 2010. Sales of previously owned homes posted sharp gains in May of 9.6 percent compared with a year ago and new home sales in May recorded their highest level in more than 2 years. However, foreclosure starts and completions turned up in May, underscoring continued fragility in the housing market.

The Housing Scorecard is essentially a summary of data on housing and housing finance released by public and private sources over the previous month and/or quarter. Most of the data such as new and existing home sales, permits and starts, mortgage originations, and various house price evaluations have been previously covered by MND.

The Scorecard incorporates by reference the monthly report of the Making Home Affordable Program (HAMP), the Obama Administration's effort to mitigate foreclosures through loan modification. HAMP, which began in April 2009, has been joined by related programs such as the Second Lien Modification Program (2MP), Home Affordable Foreclosure Alternatives (HAFA), the Unemployment Program (UP) and the Principal Reduction Alternative (PRA), all of which are covered in the HAMP report.

During the month of May there were **17,590 new permanent modifications started** through the **HAMP program**. This brings the total number of permanent modifications to 1,026,279. As of the end of May there were 810,443 permanent modifications still in force. Of these active modifications, 453,666 are for loans belonging to or guaranteed by Fannie Mae or Freddie Mac (the GSEs), 288,252 are private label mortgages, and 140,788 are portfolio loans.

HAMP administrators say that homeowners entering HAMP demonstrate a high likelihood of long-term success with the program. Eighty-six percent of homeowners who have entered the program in the last 23 months (following a major revamp of the program's intake and eligibility processes) have received a permanent modification after an average trial period of 3.5 months. About 215,800 permanent modifications have been cancelled, most for delinquency although about 4,400 loans were paid off.

Distressed borrowers continue to enter the program. There were 18,322 new trial modifications started in May for a cumulative total of 1.87 million; 72,263 borrowers remain in the trial portion of the program.

The HAFA Program which provides transition alternatives to foreclosure through short sales or deeds-in-lieu completed 5,968 transactions during May for a total of 50,717 since the program began. All but a handful of the transactions were short sales where the mortgage holder agrees to take less than the amount owed to facilitate sale of the property to a third party. There are 11,389 HAFA agreements started but not yet completed.

UP provides a minimum 12 months of temporary mortgage principal forbearance to unemployed borrowers while they are looking for a new job. This relatively new program has provided forbearance with partial payment to 20,134 borrowers and with no payment to 3,106.

The **2MP program** provides modifications and extinguishments on second liens where there has been a HAMP modification on the first lien. Modifications have begun on 83,577 second liens out of a total of 118,928 found to be eligible so far. The liens have been fully extinguished in 18,279 cases and modified in 62,010 others. Modifications of second liens resulted in a median payment reduction of \$159 per month.

The secondary HAMP program that has elicited the **most attention** is the **Principal Reduction Activity or PRA**. While HUD has encouraged principal reductions as a modification tool and the Treasury department has offered cash incentives to servicers for doing them, the Federal Housing Finance Agency has refused to allow principal reduction for GSE loans, insisting forbearance be used instead. Despite this, there have been 85,595 HAMP modifications initiated using the PRA program. Of these, 63,342 have been converted to permanent status and 57,786 permanent modifications remain active while 15,591 PRAs are still in a trial period. The median principal reduction for those permanent modifications that are still active was \$69,000 and median principal reduction was 31.4 percent. An additional 34,360 modifications have been started under HAMP using programs other than PRA.

HUD Acting Assistant Secretary Erika Poethig said, "We're making important progress in providing relief to homeowners under the Obama Administration's programs. With almost half a million families taking advantage of our enhanced Home Affordable Refinance Program - standing to save on average \$2,500 per year - and more than 51,000 applications for the FHA Streamline Refinance Program in the first ten days alone, it's clear that the Administration's efforts continue to provide significant positive benefits."

View this Article: <https://www.mortgagenewsdaily.com/news/07062012-hamp-housing-scorecard>