CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 11, 2011

H.R. 839
HAMP Termination Act of 2011

As ordered reported by the House Committee on Financial Services on March 9, 2011

SUMMARY

H.R. 839 would terminate the Department of Treasury's Home Affordable Modification program (HAMP).

CBO estimates that enacting the legislation would decrease direct spending by $1.3 billion over the 2011-2016 period and $1.4 billion over the 2011-2021 period. Pay-as-you-go procedures apply because the legislation would affect direct spending.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 839 is shown in the following table. The costs of this legislation fall within budget function 600 (income security).

	By Fiscal Year, in Millions of Dollars												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011-2016	2011-2021
CHANGES IN DIRECT SPENDING													
Estimated Budget Authority	-10	-279	-354	-276	-222	-195	-91	-2	0	0	0	-1,337	-1,437
Estimated Outlays	-10	-279	-354	-276	-222	-195	-91	-2	0	0	0	-1,337	-1,437

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted by June 2011. Because of the complementary nature of the Treasury's Making Home Affordable programs, CBO also assumes that the following related programs would be terminated along with HAMP:

- Second Lien Modification Program,
- Federal Housing Administration HAMP,
- U.S. Department of Agriculture Rural Housing Service's Rural Development HAMP,
- Home Affordable Foreclosure Alternatives,
- Home Price Decline Protection,
- Home Affordable Unemployment Program, and
- Principal Reduction Alternative Program.

The Making Home Affordable programs are intended to help homeowners who are facing the possibility of foreclosure by subsidizing loan modifications as well as other foreclosure alternatives. The Department of Treasury has obligated about $27 billion of spending authority provided by the Emergency Economic Stabilization Act of 2008 for HAMP and its related programs.

Program funds are used to cover costs incurred for the modification of mortgages that are not owned or guaranteed by the government-sponsored enterprises (GSEs) Fannie Mae or Freddie Mac. Generally, the programs provide incentive payments to mortgage servicers, investors, and eligible homeowners to either reduce the homeowner's mortgage payment to 31 percent of monthly income or to sell their house outside of foreclosure. All modification payments are contingent on borrowers remaining current on their mortgages. Through December 31, 2010, approximately 600,000 mortgages have been modified through the HAMP and its related programs (listed above), 45 percent of which were non-GSE mortgages. Servicers and borrowers currently have until December 31, 2012, to modify mortgages through the program.

CBO estimates that H.R. 839 would prevent the Treasury from making payments for approximately 100,000 new modifications of non-GSE mortgages. (The cost of modifications entered into prior to enactment would continue to be paid by the Treasury.) Based on data provided by the Office of the Special Inspector General for the Troubled Asset Relief Program, CBO estimates that such modifications, when combined with the costs of the related programs mentioned above, cost an average of about $13,000. As a result, CBO estimates that enacting H.R. 839 would reduce direct spending by $1.3 billion over the 2011-2016 period and $1.4 billion over the 2011-2021 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table. Enacting H.R. 839 would have no impact on federal revenues.

CBO Estimate of Pay-As-You-Go Effects for H.R. 839, the HAMP Termination Act of 2011, as ordered reported by the House Committee on Financial Services on March 9, 2011

	By Fiscal Year, in Millions of Dollars												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011-2016	2011-2021
	NET DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	-10	-279	-354	-276	-222	-195	-91	-2	0	0	0	-1,337	-1,437

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Chad Chirico
Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum
Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Peter H. Fontaine
Assistant Director for Budget Analysis