



Required Content for Real Estate Finance Professionals

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A leading economist has pointed out a potentially significant problem with the announced changes to the Home Affordable Refinance Program (HARP). According to [Mark A. Calabria](#), director of financial regulation studies at the Cato Institute in Washington, D.C., HARP should not have been instituted in the first place because its concept violates federal law.

"Most troubling about the [new] plan is that the program it is based upon, HARP, is likely illegal," says Calabria. "Both the Fannie and Freddie charters require that if a loan is above 80 percent loan-to-value, it must have mortgage insurance. Yet the heart of HARP is a waiver of this requirement. Apparently, the Federal Housing Finance Agency claims these are not 'new' loans, but just modifications. In that case, why in the world would you modify a loan that is current and does not appear in any danger of default?"

"Sadly," he adds, "one of the many things lost in the financial crisis is a basic respect for the rule of law. Our financial regulators have too often embraced a culture of lawlessness in the name of saving our financial system - with little to show for it."

Calabria believes that the revised HARP plan will have no positive economic impact.

"Perhaps most striking is that this plan does nothing for the housing market," he continues. "Does it increase demand for housing? No. Does it reduce the supply of excess homes or help move the massive shadow inventory? Again, no. Does it even help those most in need? No. It is available only to those who have already had a mortgage for over two years, are current on their mortgage, and have missed no more than one payment per year - basically helping only those that do not need any help."