

HAMP II: THE \$20 BILLION GET OUT OF JAIL FREE CARD

A day after the Case-Shiller Index confirmed that the housing market is in a double dip, the Powers that Be (a subsidiary of the Masters of the Universe, currently CEOed by one Barack Obama) have floated their proposal for a mortgage fraud settlement.

The settlement terms remain fluid, people familiar with the matter cautioned, and haven't been presented to banks. Exact dollar amounts haven't been agreed on by U.S. regulators and state attorneys general.

For the low, low price of \$20 billion, the Administration proposes, banks could be excused for the abundant mortgage fraud they've committed.

Terms of the administration's proposal include a commitment from mortgage servicers to reduce the loan balances of troubled borrowers who owe more than their homes are worth, people familiar with the matter said. The cost of those writedowns won't be borne by investors who purchased mortgage-backed securities, these people said.

But basically, it sounds like HAMP II—a "plan" that still lets banks decide how to implement that "plan"—with the sole improvement on HAMP I that it requires 2nd Liens to be "reduced" (but not eliminated) in the process of modifying the first liens.

The deal wouldn't create any new government programs to reduce principal. Instead, it would allow banks to devise their own modifications or use existing

government programs, people familiar with the matter said. Banks would also have to reduce second-lien mortgages when first mortgages are modified.

In short, it includes bailout within bailout (since 2nd liens should be eliminated).

Over a quarter of mortgage holders are underwater on their homes. A big chunk of these people were sold houses at artificially inflated prices, courtesy of the bank and captured appraisers. Every single one of them is owed compensation for being cheated at the hands of the banks.

But \$20 billion won't even begin to compensate those victims of fraudulent appraisals for the fraud committed on them.