

Fact Sheet: The Mortgage Forgiveness Debt Relief Act of 2007

President Bush Signs Legislation Protecting American Families From Higher Taxes When They Refinance Their Homes

For Immediate Release Office of the Press Secretary
December 20, 2007

“When your home is losing value and your family is under financial stress, the last thing you need is to be hit with higher taxes. So I’m working with members of both parties to pass a bill that will protect homeowners from having to pay taxes on cancelled mortgage debt.”

President George W. Bush, 9/1/07

Today, President Bush signed the Mortgage Forgiveness Debt Relief Act of 2007, which will help Americans avoid foreclosure by protecting families from higher taxes when they refinance their home mortgages. This Act will create a three-year window for homeowners to refinance their mortgage and pay no taxes on any debt forgiveness that they receive. Under current law, if the value of your house declines, and your bank or lender forgives a portion of your mortgage, the tax code treats the amount forgiven as income that can be taxed.

- This Act will increase the incentive for borrowers and lenders to work together to refinance loans and allow American families to secure lower mortgage payments without facing higher taxes.

This Act Is A Good Step To Address The Housing Market, But Congress Has More Work To Do

Congress needs to complete work on responsible legislation modernizing the Federal Housing Administration (FHA). This bill will give FHA the necessary flexibility to help hundreds of thousands of additional families qualify for prime-rate financing.

Congress needs to pass legislation permitting State and local governments to help troubled borrowers by issuing tax-exempt bonds for refinancing existing home loans. Under current law, cities and States can issue tax-exempt bonds to finance new mortgages for first-time homebuyers.

Congress needs to pass legislation to reform Government Sponsored Enterprises (GSEs) like Freddie Mac and Fannie Mae. GSEs provide liquidity to the mortgage market that benefits millions of homeowners, and it is vital that they operate safely and soundly. The President has called on Congress to pass legislation that strengthens independent regulation of the GSEs and ensures they focus on their important housing mission.

The Administration Has Moved Forward On Targeted Actions To Assist Homeowners That The President Announced In August

The President and his Administration have launched a new initiative at the Federal Housing Administration (FHA) called FHASecure. FHASecure expands the FHA’s ability to offer refinancing by giving it the flexibility to work with homeowners who have good credit histories but cannot afford their current payments. By the end of 2008, the FHA expects this program to help more than 300,000 families refinance their homes.

Treasury Secretary Henry Paulson and Housing and Urban Development Secretary Alphonso Jackson have assembled the private-sector HOPE NOW alliance. HOPE NOW recently mailed hundreds of thousands of letters to borrowers falling behind on their payments and is supporting a toll-free mortgage counseling hotline, 1-888-995-HOPE.

- HOPE NOW has developed a plan under which up to 1.2 million homeowners could be eligible for assistance. The HOPE NOW plan will help subprime borrowers who can afford the current, starter rate on a subprime loan, but would not be able to make the higher payments once the interest rate goes up.

###

For more information, please visit <http://www.whitehouse.gov/news/releases/2007/12/print/20071220-6.html>