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Foreclosure funds' payouts are slow

States adjust programs to speed up process

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A $7.6 billion federal program to help prevent foreclosures is still struggling to get money out to homeowners more than two years after the money went to states.

Through November, $900 million had gone to homeowners, and an additional $620 million had been committed to them in the 18 states and Washington, D.C., involved in the Hardest Hit program, the Treasury Department said. The program, one of several Obama administration efforts to combat foreclosures, awarded funds to states most affected by unemployment and fallen home prices.

The states, which received different amounts of money and have until 2017 to spend it, developed their own programs largely targeting lower-income jobless and underemployed homeowners.

Programs had to be started from scratch in some cases.

Through September, states had helped more than 77,000 homeowners with Hardest Hit funds, a December Treasury report says.

In July, a Government Accountability Office report noted the program's "slow start" but said things were improving. Many states have changed their programs to enable quicker, bigger and longer-lasting payments, state officials say.

California, Nevada and Arizona, for instance, changed their programs this year to make it easier for homeowners to get money to reduce what they owe on home loans.

California got $2 billion, the most of any state. It had initially required servicers to match principal reductions made with Hardest Hit funds.

Few servicers took part, and neither did mortgage giants Freddie Mac and Fannie Mae, said Di Richardson, head of the California program. California now provides up to $100,000 for principal reduction for eligible applicants, up from $50,000, with no required match. "Things are really picking up," she said.