

Policy responses during the great recession

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Policy Responses during the Great Depression When Prof. Bostic went to HUD, the housing and labor market conditions were not favorable because most people were unable to meet their financial obligations. The economic recession affected the housing and labor market that led to the increase in the housing prices. This also resulted in the collapse of some financial institutions that provided funds and employment (USC Price, n. p). The professor further indicates that the majority of the home owners were unable to settle their mortgage debts because of the increase in interest rates imposed by the financial institutions. It is apparent that the increase in the prices of houses was the major problematic condition of the housing market. This was because the financial institutions wanted to raise funds that would enable them to remain in operation after the economic recession period (USC Price, n. p).

The major policy initiatives that were implemented by HUD during the Great Recession era included increase home ownership by supporting various programs such as Fannie and Freddie, State HFA, Emergency Homeowners Loan Program and First-time homebuyer Tax Credit among others (USC Price, n. p). The purposes of supporting such initiatives were to offer financial assistance to the citizens to enable them either buy homes or settle debts. The effects were to maintain the circulation of money to avoid inflation and shortage of funds that would affect the economy. This also helped companies to continue to offer their services to homeowners and other stakeholders since they had the money to pay their suppliers (USC Price, n. p).

One of the policy initiatives that were implemented during the Great Recession was the introduction of the HARP and HAMP. For instance, HAMP <https://assignbuster.com/policy-responses-during-the-great-recession/>

was designed to assist the homeowners who were suffering from extreme payment burdens. Alternatively, HARP helped in offering relief for homeowners to earn extra disposal income (USC Price, n. p). This took place through reduction of the interest rates to allow the homeowners save some cash for other purposes. One of the problematic conditions was that it only helped a few households, instead of tackling the universal problem across the country. Another problem was that the government was not running it and relied on lenders in which uninterested parties rejected it. The major interest groups were the homeowners, lenders and private sector operators (USC Price, n. p). The project did not achieve the expected results because the lenders rejected it since it took long to materialize. Another ineffectiveness is that the involvement of the private sector players who wanted to exploit the homeowners.

The HAMP initiative involved the State governments that would identify homeowners experiencing difficulties in paying their loans. It also involved the mortgage agencies that would release payments to the homeowners (USC Price, n. p). The respective roles of the lenders were to deduct their funds from the money released by the government agencies for settlement of debts. The federal state oversaw the running of the program, but did not determine the money allocated to each homeowner. The inter-agency conflicts occurred between the private sector operators and the lenders because of the interference with the payment of the debts. For instance, the private sector players wanted to increase their rates in order to reap more revenues from the lenders and the homeowners (USC Price, n. p).

Work Cited

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