



# Policy Intervention in Debt Renegotiation: Evidence from the Home Affordable Modification Program

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## Abstract

We evaluate the effects of the 2009 Home Affordable Modification Program (HAMP) that provided intermediaries with sizable financial incentives to renegotiate mortgages. HAMP increased intensity of renegotiations and prevented a substantial number of foreclosures but reached just one-third of its targeted indebted households. This shortfall was in large part due to low renegotiation intensity of a few large intermediaries and was driven by intermediary-specific factors. Exploiting regional variation in the intensity of program implementation by intermediaries suggests that the program was associated with a lower rate of foreclosures, consumer debt delinquencies, house price declines, and an increase in durable spending.



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