

Plan covers Fannie, Freddie loans

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THE ASSOCIATED PRESS

President Obama's new mortgage relief plan, launched Wednesday, aims to help up to 9 million borrowers qualify for more affordable mortgages and stay in their homes.

Are you one of them?

Obama's "Making Home Affordable" program is designed to work with lenders to modify the loan terms for up to 4 million homeowners and to refinance up to 5 million homeowners into more affordable fixed-rate loans.

Here are some questions and answers about the latest round of aid for homeowners.

How do I know if I qualify for the refinancing plan?

Only homeowners in good standing whose loans are held by Fannie Mae or Freddie Mac qualify.

The property must be owner-occupied and the borrower must have enough income to make payments on the new mortgage debt.

Borrowers can't owe more than 105 percent of their home's current value on their first mortgage. For example, if your home is worth \$200,000, your first mortgage can't exceed \$210,000. Borrowers with a second mortgage still can qualify as long as their first mortgage isn't more than 105 percent of their

home's value.

Homeowners can't take cash out during the refinancing to pay other debt.

Borrowers have until June 2010 to apply for the program.

How do I know if my mortgage is owned by Fannie Mae or Freddie Mac?

Call your current lender or mortgage servicer. You can find the phone number on your monthly mortgage statement or coupon book.

You can also contact Fannie Mae at 800-7FANNIE (800-732-6643) and Freddie Mac at 800-FREDDIE (800-373-3343) from 8 a.m. to 8 p.m. EST. Or, go to <http://www.fannie.mae.com/homeaffordable> and <http://www.freddie.com/avoidforeclosure> and fill out the online request forms.

What borrowers qualify for the modification program?

You don't have to be behind on your mortgage payments to qualify. Delinquent borrowers and current borrowers who are at risk of imminent default are both eligible.

The program applies to mortgages made on Jan. 1 or earlier. The mortgage payment including taxes, insurance and homeowners association dues must exceed 31 percent of the borrowers' gross monthly income.

The property must be the homeowner's primary residence.

Guidelines to Making Homes Affordable

The Obama administration expanded on plans to use \$75 billion, mostly from the \$700 billion financial bailout fund, to help lower monthly mortgage payments for as many as 4 million homeowners at risk of foreclosure. The government and lenders will share the burden -- collectively reducing payments to 31 percent of a borrower's monthly income -- and servicers and lenders will be paid \$1,000 a year for every loan kept current.

■ Eligible borrowers must be screened for financial hardship, meaning they've had a change in circumstances or are facing a recent or imminent increase in monthly payments. Change in circumstances must be verified through documentation.

■ Servicers must follow a specific sequence of steps in order to reduce the monthly mortgage payment to no more than 31 percent of monthly income. Home-equity loans and lines of credit, or secondary liens, would be excluded from calculating a borrower's debt-to-income ratio.

- 1) Reduce the interest rate to as low as 2 percent
- 2) Then, if necessary, extend the term or amortization of the loan to as much as 40 years
- 3) Lastly, if the monthly costs are still too high, temporarily suspend principal payments or even forgive some of the principal.

■ Eligible loans must have been made on or before Jan. 1, 2009. Program allows one modification between now and Dec. 31, 2012.

■ Participating servicers are required to service all eligible loans unless explicitly prohibited by contract.

Source: U.S. Department of Treasury

Bloomberg

It can't be investor-owned, vacant or condemned. Home loans for single-family properties that are worth more than \$759,750 don't qualify.

The program is voluntary, relying on a \$75 billion subsidy to

encourage mortgage companies to participate. Lenders must agree to reduce the loan payments to 38 percent of a borrower's monthly income. After that, the government and lender split the cost of bringing the payment

down to 31 percent.

Eligible borrowers will have to provide their most recent tax return and two pay stubs, as well as an "affidavit of financial hardship," to qualify for the loan modification program.

Borrowers are only allowed to have their loans modified once. The program runs through Dec. 31, 2012.

What if I'm in bankruptcy or in active litigation over my mortgage?

That doesn't necessarily keep you from qualifying for the modification program. And borrowers in active litigation can modify their home loans without waiving their legal rights.

What do I do to get help?

For the modification program, call your lender or mortgage servicer to see if you're eligible. For the refinance program, first find out if your mortgage is held by Fannie Mae or Freddie Mac. Then contact your lender, mortgage servicer or a mortgage broker for refinancing options.

How soon can I get help?

Both the modification and refinancing programs start immediately.

What if I don't qualify for either program - Is there any other way to get help with a mortgage?

Contact your lender or mortgage servicer regarding other

modification programs or refinance options. Alternatively, contact a local housing counselor to negotiate with your lender or servicer, to help locate other local resources like rescue grants or loans, or to facilitate a short sale or deed in lieu of foreclosure if staying in the home isn't possible.

A short sale is where homeowners sell houses for less than the amount owed on them, and the lender then considers the debt paid off. A deed in lieu of foreclosure is where the borrower gives the property to the lender to satisfy a delinquent loan and to avoid foreclosure proceedings.

Local housing counselors can be found at the U.S. Department of Housing and Urban Development's Web site at <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>.

Do FHA, VA or USDA home loans qualify for modification under Obama's plan?

Mortgages backed by the Federal Housing Administration, Veterans Administration or U.S. Department of Agriculture are being modified under other programs. The Obama administration and Congress are working on legislation that would allow modifications of these home loans consistent with the Making Home Affordable program.