Two Plans to Help Homeowners

Homeowners looking for government assistance can try to refinance their mortgages at today's low rates. If this is not an option, borrrowers can apply to renegotiate the terms of their loan under the program, details of which were released on Wednesday. If all else fails, the Obama administration hopes Congress will pass legislation allowing bankruptcy judges to reduce principal amounts or interest payments.

More details are available at **www.financialstability.gov.**

Plan 1: Removing a limit on refinancing for strong borrowers

STARTS IMMEDIATELY, RUNS UNTIL JUNE 2010

Example

A family's home value drops to $400,000 from $475,000. The loan balance at $337,460 is more than 80 percent of the home's value, making it hard to refinance under current rules.

The family could refinance to 5.16% from 6.50%, which would save $331 a month.

Who may qualify

Mortgages must be owned or guaranteed by Fannie Mae or Freddie Mac.

Borrower must have enough income to handle payments.

Borrowers must owe no more than $729,750. The loan amount may be higher for multifamily units.

Property must be owner-occupied.

First mortgage must not be more than 105 percent of the home's current market value.

Delinquent borrowers do not qualify.

How to apply

Borrowers must contact loan servicer and provide:

- Two recent pay stubs
- Latest tax return
- Information about any second mortgage
- Information on other debts, such as car loans

Plan 2: Helping remodify loan terms for at-risk borrowers

STARTS IMMEDIATELY, NEW BORROWERS ACCEPTED UNTIL DEC. 31, 2012

Example

A family's home value has fallen to $189,000 from $230,000 but it owes $214,016. The family can't afford payments and can't refinance.

If the family can get a loan modification, its monthly payments would be reduced to 31 percent of monthly income for five years. This would save $406 a month.

Who may qualify

Mortgage must have been created before Jan. 1, 2009.

Borrowers must be owner-occupants of a one to four unit home and owe no more than:

1-unit home	$729,750
2-unit	934,200
3-unit	1,129,250
4-unit	1,403,400

The mortgage payment (with taxes, insurance and dues) must exceed 31 percent of gross monthly income.

Borrowers can qualify whether delinquent or not, but must have enough income to handle modified payments.

Borrowers with home equity loans and second mortgages are not disqualified.

How to apply

Borrowers must contact loan servicer and provide:

- Two recent pay stubs, recent tax returns
- Affidavit of financial hardship

When an applicant is at least 60 days delinquent, the loan servicer must modify the loan if doing so incurs less cost than pursuing foreclosure.

How the loan is modified

Lenders would lower mortgage payments to 31 percent of income by:

- Dropping rates to as low as 2 percent
- If necessary, extending the loan term to up to 40 years or accepting principal payments without interest

After five years the rate may rise, but only to the market level at the time of the modification.

Incentives

Borrowers who pay on time would receive up to a $5,000 reduction in principal over five years.

Servicers of mortgages that are paid on time would receive up to $1,000 a year for three years.

Servicers will get $1,000 for modifying a delinquent loan; $1,500 for modifying a nondelinquent loan.

Source: Treasury