

No Mortgage Aid For Many

9 million borrowers may find some relief, but thousands won't qualify

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By ALAN ZIBEL, Associated Press

WASHINGTON — The Obama administration's housing plan is intended to help 9 million struggling homeowners avoid foreclosure, but it leaves out tens of thousands of borrowers in the most battered housing markets who won't qualify because their homes have lost too much value.

The \$75 billion program detailed Wednesday offers refinanced mortgages or modified loans with lower monthly payments. Yet its refinancing plan is limited to borrowers who owe up to 5 percent more than their home's current value. Loan modifications are unlikely for severely "underwater" borrowers.

In the California cities of Stockton, Modesto and Merced, more than one out of every 10 homeowners with a mortgage won't qualify for any help because they owe more than 50 percent more than their house's current value, according to data from real-estate Web site Zillow.com.

The plan doesn't help home-owners in states "that are at the epicenter of the housing debacle," said Greg McBride, a senior financial analyst at Bankrate.com.

The ineligible households are concentrated in California, Florida, Nevada and Arizona but can also be found in struggling cities such as Detroit and Grand Rapids, Mich. Even houses in the outlying suburbs of the nation's capital, where the economy is relatively healthy, have dropped substantially in value.

For a homeowner who borrowed \$380,000 and now has a house worth \$270,000, "I just don't know what you do with that," said **Jared Martin**, a mortgage broker in Bethesda, Md.

Government officials acknowledge that the initiatives are only a partial fix for a sweeping problem that has helped plunge the U.S. economy into the worst recession in decades.

"This is not going to save every person's home," said White House Press Secretary Robert Gibbs. "The plan is not intended to ... augment somebody's loan for a house that they couldn't afford under any economic situation, good or bad."

Of the nearly 52 million U.S. homeowners with a mortgage, almost 14 million, or nearly 27 percent, owe more on their mortgage than their house is now worth, according to Moody's Economy.com. Nearly half of all borrowers in Nevada were "under water" on their home loans as of December, according to First American CoreLogic.

Though banks such as JPMorgan Chase and Wells Fargo & Co. issued statements praising the plan, there was also skepticism that banks would be willing to participate.

"I've just seen so many of the programs not work," said Pava Leyrer, president of Heritage National Mortgage in Randville, Mich. "It gets borrowers' hopes up. They call and call for these programs and we can't get anybody to do them."

In the Lowcountry, financial institutions participating in Obama's financial stability plan, including Tideland Bancshares Inc. of Mount Pleasant and Charleston-based First Financial Holdings Inc., will have to implement a loan modification program similar to the one detailed on Wednesday.

"If we're required to participate, we'll be glad to participate," said Robert "Chip" Coffee, chief executive of Tideland Bank. "We've already tried to work with folks one-on-one who are having a hard time making their payments."

First Financial and other locally based bank owners contacted Wednesday said they were still poring over the details of the foreclosure rescue plan and were not prepared to comment on what it might mean for borrowers.

The program has two parts: one to work with lenders to modify the loan terms for up to 4 million homeowners, the second to refinance up to 5 million homeowners into more affordable fixed-rate loans.

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

Borrowers are allowed to have their loans modified only once, and the program applies to loans made on Jan. 1, 2009, or earlier. Mortgages for single-family properties that are worth more than \$729,750 are excluded.

Lenders could cut a borrower's interest rate to as low as 2 percent for five years. It would then rise to about 5 percent until the mortgage is repaid.

If the plan works as intended, it could be a big plus for borrowers such as Nick Kavalary, who lives outside Milwaukee.

Kavalary, 42, struggled to get a loan modification. He was finally approved for one, but it only cuts his interest rate to about 9.8 percent from 10.75 percent. Even at the lower rate, he said, making the payment is nearly impossible.

"If I can't pick up a second job, I'm going to lose this house," he said. "With the job market being the way it is, nobody's hiring nobody."