

FHFA Announces Mortgage Relief Plan

By Aranca

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The Federal Housing Finance Agency (FHFA) unveiled a plan that could help relax payment terms for thousands of homeowners facing foreclosures. "Foreclosures increased 150 percent over the last two years. Foreclosures hurt families, their neighbors, whole communities and the overall housing market. We need to stop this downward spiral. It is an achievable goal if homeowners, banks, mortgage servicers and investors, Fannie Mae, Freddie Mac all work together," said FHFA head James Lockhart. Together, Fannie Mae and Freddie Mac own or insure nearly 31 million mortgages or about 58 percent of all U.S. single-family home loans

The FHFA which took control of mortgage giants Fannie Mae and Freddie Mac, announced a plan to coordinate all interested parties to concur to a program designed to "reduce preventable foreclosures with a simplified, streamlined loan modification program to get struggling homeowners into mortgages that they can afford."

The homeowners who are spending more than 38 percent of their monthly income on mortgage payments could see a significant reduction in their monthly payouts if the plan goes through. There are provisions to extend the loan term, cut mortgage rates or even slash the principal amount. Borrowers would need to be delinquent 90 days or more to qualify for new loan terms. While the program is applicable to mortgages owned by Fannie Mae and Freddie Mac, the FHFA chief urged the private mortgage services companies to rapidly adopt this program as the industry standard.

However, the move may not any relief to the millions of people who took out expensive subprime loans and are the worst affected in the foreclosure crisis. The plan "falls short of what is needed to achieve wide-scale modifications of distressed mortgages," said chairwoman of the Federal Deposit Insurance Corporation, Sheila Bair in a written statement on Tuesday. "As we lend and invest hundreds of billions of dollars to help institutions suffering leveraged losses from defaulting mortgages, we must also devote some of that money to fixing the front-end problem: too many unaffordable home loans." she added.

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