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SPECIAL POINTS OF INTEREST:

- **New first-time credit of $8,000**
- **Jumbo loans in these plans are loans above $729,750**
- **Payments reduced mostly thru interest rate, and principal reduction**
- **31% of income based mortgage**
- **2 % is the basement interest rate**

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The Obama Home Rescue Plan

Our January issue had a sub article, titled "Modify Loans", Sheila Barr says, the current issue will focus solely on this theme, especially with the recent focus of the Obama Administration. We chose to wait until today, March 4 to provide a holistic picture of the endeavor as more details of the plan came out today.

From the $787 billion Stimulus, $75 billion Homeowner Affordability and Stability Plan, and $200 Billion plans are the following derivatives.

- Note the title on one of the plans, Homeowner, which means investment properties will not qualify under any of these plans.
- Increase for first-time home buyer credit from $7,500 to $8,000, and removes the requirement that the credit be paid back if the buyer stays in the home for at least three years. This expires on Dec 1 2009.
- Allows refinancing for those current on their mortgages, even for those whose mortgage debt is up to 5% above current home value. Previously, you need to have 20% equity.
- Jumbo mortgages do not qualify, only conventional loans. Since most trouble mortgages were issued more than two years ago, the guideline then was loans below $417,000. The current figure depends on the locality, it is $580,000 in Sacramento and $729,750 in San Francisco. However, from the latest plan, it is safe to say that over $729,750 is now considered jumbo.
- Loans in default or at risk may qualify for modification, with stipulations such as proof of employment and satisfactory income.
- Borrowers will show proof of sufficient income to qualify for any of the programs, the threshold is not definitive. For instance those with 55% debt to income may qualify for modification, but accept a HUD sponsored counseling.
- The lender may reduce the mortgage to 31% of income, with payments kept as long as five years, but converted to conforming loan rate present at that time. This reduced payment could come by lower interest rate or principal reduction.
- Interest rates for these modifications may not be lower than 2%.
- Borrowers may receive incentive bonuses of up to $1,000 a year for five years for making payments on time
- Lenders will henceforth review loan application documents to disqualify those that misrepresented their incomes.
- To supplement all the carrots for lenders to make these modifications, Congress is currently considering giving bankruptcy judges the power to modify loans. This will reluctantly prod lenders to the table at a sincere modification process, knowing that borrowers may have the option of a judge.
- Most of these modifications require that your loan be owned by Fannie Mae or Freddie Mac, of course this information may not be apparent. To confirm if they do, call your lender, or call Fannie and Freddie at 1-800-7FANNIE or 1-800-FREDDIE respectively.
- To find out more information whether you qualify for a refinance or loan modification plan, check out this web site http://financialstability.gov/makinghomeaffordable/

These combinations of plans are a step in the right direction, however, the most prudent impact would have been the principal modification option that lenders have thus far resisted, but maybe soon available to judges.

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