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President's plan will save homes, advocates say

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BY STEVE WARTENBERG

THE COLUMBUS DISPATCH

Central Ohio housing experts are hailing President Barack Obama's \$75 billion proposal designed to save as many as 9 million homes from foreclosure as a step in the right direction.

"It's going to help a lot of people," said Bill Faith, executive director of the Coalition on Homelessness and Housing in Ohio. "I'm not sure if it's enough, but they're putting in a lot of money."

For many people the bailout -- announced Wednesday -- will come too late. A record number of American homeowners are behind on their mortgage payments or are in foreclosure and will not qualify for the president's plan.

There are also millions more whose mortgage balances far exceed the value of their homes and will not qualify.

"It's a good first step but there needs to be more, something for people who are upside down and underwater on their mortgages," said Judith Goldstein, senior attorney with Equal Justice Foundation in Columbus.

A record 5.4 million Americans mortgage holders -- or 12 percent -- were at least one month behind or in foreclosure at the end of 2008, according to the Mortgage Bankers Association.

The Ohio rate was 13.6 percent. For those with subprime mortgages, the total number of those delinquent jumps to a staggering 48 percent nationally -- and 23.9 percent in Ohio.

The first part of Obama's proposal, which must be approved by Congress, calls for refinancing 4 million to 5 million mortgages held by Fannie Mae and Freddie Mac. To qualify, homeowners must be current on their payments and the value of their home must be 80 percent to 105 percent of the remaining principal.

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Those below 80 percent should be able to refinance by conventional means, if necessary -- and those over 105 percent are considered too much of a risk for inclusion in the program.

About 45 percent, or 154,000, of the home mortgages held by central Ohio residents meet these requirements, according to Zillow.com, a real-estate data firm.

"But that's all mortgages. There's no way we can know which ones are Fannie and Freddie mortgages," said Zillow spokeswoman Katie Curnutte. "But they do hold about 60 percent of all the mortgages in the country."

The second component of the president's plan offers financial incentives for banks and credit unions to modify 3 million to 4 million at-risk loans. Servicers that modify qualifying loans receive an upfront fee of \$1,000 and "pay for success" fees of \$1,000 per year on loans that continue to be paid off by the borrower.

Past bailout programs, Faith said, did not offer these incentives to lenders and were not effective.

The next step, Goldstein said, is to find "a way for the lenders to reduce the principal balance to come into line with the actual value of the home."

She has tried this approach with lenders during negotiations for clients hoping to modify their mortgages.

"I have not personally been given that offer by a bank," Goldstein said.

Itzhak Ben-David, a professor at Ohio State University's Fisher College of Business, said it is impossible to predict how successful the president's program will be.

"I don't even think the people who made this policy know," he said. "The situation is so volatile it's hard to how what will develop."

He called the plan a "gentle nudging" in terms of legislative intervention into the private financial sector.

"It's lifting a few regulatory barriers and helping lenders and borrowers reach a better agreement," Ben-David said.

The plan has resulted in a deluge of phone calls to lenders from anxious borrowers hoping they qualify for relief.

JPMorgan Chase, which services about 10 million loans and has a large service center at Easton, has seen a sharp spike in calls.

"On Wednesday, the calls were 160 percent over what they were on Tuesday, and on Thursday they were double what they were on Wednesday," said spokesman Jeff Lyttle, who would not disclose call totals.

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It was more of the same at Newark-based Park National Bank, but on a smaller scale.

"We can't hire people fast enough" to modify mortgages, said Edward Lewis, Park National vice president of mortgage loans.

"If this more than doubles what we do, there's not enough capacity in the industry to handle all these people."

It will also take days, maybe weeks, he said, for lenders to get up to speed on the specifics of the new plan.

Information from the Associated Press was included in this story.

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Housing advocates want to see a program to encourage banks to renegotiate mortgage principal amounts.

What Can I do?

President Barack Obama's Making Home Affordable effort takes two approaches to helping as many as 9 million people avoid foreclosure. Their mortgage companies must agree. How to determine whether you qualify and what you must do to participate:

REFINANCING PROGRAM

What it does: Refinances loans at lower fixed rates.

You're eligible if: you live in your home, are current on your mortgage, have your mortgage with Fannie Mae or Freddie Mac (even if a different company services it), and don't owe more than 105 percent of the market value of your house.

How to prepare: Gather your recent pay stubs, most recent tax return, information on a second mortgage if applicable, credit-card account balances and minimum monthly payments, student loans and car loan account balances and monthly payments.

Whom to call: your mortgage servicer or lender. The number is on your monthly mortgage bill or coupon book.

LOAN-MODIFICATION PROGRAM

What it does: Reduces the size of your monthly mortgage payment.

You're eligible if: you live in your home; owe less than \$729,750 on your first mortgage; are struggling because mortgage payments have risen, you've lost your job or have increased expenses; took out the loan before Jan. 1.

How to prepare: Gather the information listed for the refinancing program plus write a letter explaining why your income has declined or your expenses have risen.

Whom to call: your mortgage servicer. The number is on your monthly mortgage bill or coupon book.

For more information:

- *Fannie Mae*: 1-800-7FANNIE or www.fanniemae.com/homeaffordable
- *Freddie Mac*: 1-800-FREDDIE or www.freddiemac.com/avoidforeclosure
- *U.S. Department of the Treasury*:
www.financialstability.gov/makinghomeaffordable/modification_eligibility.html

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