Bank of America to reduce home loans

The Associated Press

NEW YORK — Bank of America is providing mortgage relief to about 200,000 homeowners.

Homeowners that qualify are those whose home values have fallen below what they owe on their mortgages. Bank of America will reduce the amount owed by the homeowners by as much as $100,000 in some cases.

Only mortgages that are currently owned by Bank of America will qualify. Those that are owned by government entities Fannie Mae and Freddie Mac, or backed by the Federal Housing Administration will not be eligible.

The move will help the bank reduce the amount of penalties it owes to the government's Housing & Urban Development agency by $850 million.

The penalties were part of a broader $25 billion settlement announced Feb. 9 by federal and state attorneys general and the largest mortgage lenders in the country to resolve investigations into abusive home lending and fraudulent foreclosure practices.

About 11 million American households are "underwater" on their mortgages, meaning they owe more than their homes are worth. The broader settlement with five mortgage lenders is expected reduce loans for only about 1 million of those Americans and send checks to others who were improperly foreclosed upon.

Of the five major lenders, Bank of America penalties were highest: $11.8 billion.