

Lending plan offers break to troubled homeowners

Skeptics say Obama proposal depends on banks' willingness to cut payments

By Liz Sidoti
THE ASSOCIATED PRESS

MESA, Ariz. — President Barack Obama threw a \$75 billion lifeline to millions of Americans on the brink of foreclosure Wednesday, declaring an urgent need for drastic action — not only to save their homes but to keep the housing crisis “from wreaking even greater havoc” on the broader national economy.

The lending plan, a full \$25 billion bigger than the administration had been suggesting, aims to prevent as many as 9 million homeowners from being evicted and to stabilize housing markets that are at the center of the ever-worsening U.S. recession.

Government support pledged to mortgage giants Fannie Mae and Freddie Mac is being doubled as well, to \$400 billion, as part of an effort to encour-

age them to refinance loans that are “under water” — those in which homes' market values have sunk below the amount the owners still owe.

“All of us are paying a price for this home mortgage crisis, and all of us will pay an even steeper price if we allow this crisis to continue to deepen,” Obama said.

Success of the foreclosure rescue is far from certain.

The administration is loosening refinancing restrictions for many bor-

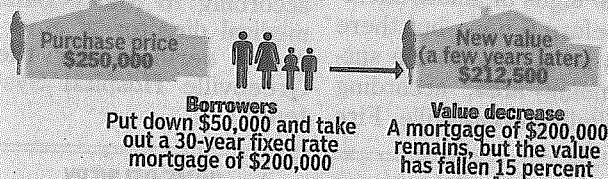
rowers and providing incentives for lenders in hopes that the two sides will work together to modify loans. But no one is required to participate. The biggest players in the mortgage industry temporarily had halted foreclosures in advance of Obama's plan.

Complicating matters, investors in complex mortgage-linked securities, who make money based on interest payments, could still balk, especially those who hold second mortgages or home equity loans.

Refinancing for falling home prices

Under a part of the Homeowner Affordability and Stability Plan, as many as 5 million “responsible” homeowners would be able to refinance their mortgages at lower rates.

Refinancing mortgages



GOVERNMENT'S PLAN

The plan could allow families to refinance at a lower rate and reduce their annual payments, if they took out loans owned or guaranteed by Fannie Mae or Freddie Mac

NOTE: Low interest rates are generally for borrowers who have 20 percent home equity.

SOURCE: White House

AP