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Mortgage help coming for 'underwater' homeowners

FHA to offer new option next month

STAFF REPORTS

Responsible homeowners who owe more on their mortgage than the value of their property will have access to additional refinancing options starting next month.

The U.S. Department of Housing and Urban Development said on Sept. 7 the Federal Housing Administration (FHA) will begin offering certain "underwater" non-FHA borrowers the opportunity to qualify for a new FHA-insured mortgage.

The FHA Short Refinance option is targeted to help people who owe more on their mortgage than their home is worth — or 'underwater' — because their local markets saw large declines in home values.

Lenders have to agree to write off at least 10 percent of the unpaid principal balance of the first mortgage, FHA said.

The program is aimed at helping the FHA meet its goal of stabilizing housing markets by offering a second chance to up to three million to four million struggling homeowners through the end of 2012.

"We're throwing a lifeline out to those families who are current on their mortgage and are experiencing financial hardships because property values in their community have declined," said FHA Commissioner David H. Stevens.