

BUSINESS

Mortgage refinancing surges

Demand increases as revamped government program kicks in

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USA TODAY

Demand is surging for mortgage refinancings under a revamped government program for homeowners with little or no home equity.

The Home Affordable Refinance Program, dubbed HARP 2.0, is expected to help more than 1 million borrowers to refinance at today's low interest rates even if falling home values have left them owing more on their loans than the homes are

worth.

Changes to extend HARP's reach were announced in October, and lenders launched their revamped programs in recent months. To be eligible, HARP applicants must have loans owned or guaranteed by Freddie Mac or Fannie Mae, have less than 20 percent equity and be current on payments.

Bank of America, JPMorgan Chase and Wells Fargo all say they have seen such strong HARP demand that

they're adding staff. Some BofA customers have been put on wait lists, bank spokesman Terry Francisco says.

One in three refi applications now at Wells Fargo are through HARP, says executive vice president Franklin Codel. Demand is expected to stay strong through the year, says Chase home lending executive Kevin Watters.

Nationwide, more than 20 percent of home loan refi applications for the week ended Feb. 24 were for HARP loans, the Mortgage Bankers Association says. That's up from about 10 percent the month before.

Moody's Analytics expects 1.6 million HARP refis by the end of 2013, saving borrowers an average \$250 a month. Demand could be greater. Even with mortgage rates dipping below 4 percent, CoreLogic says 57 percent of first lien home loans had rates above 5 percent in December.

For now, the servicers are refinancing current customers. More competition — enabling rate shopping — may surface in coming months as more pieces of the program roll out, says Robert Walters, Quicken Loans economist.

Even if consumers refinance with their present

servicer, they should expect competitive rates, says Mark Zandi, Moody Analytics' chief economist. If HARP borrowers aren't getting at least 4.5 percent, "I would want to know why," Zandi says.

In some cases, HARP borrowers may get better rates than lower-credit-score borrowers with home equity, says Cameron Findlay, LendingTree chief economist. That's because some fees added to home loans are capped under HARP.

Some consumers pursuing traditional refis are seeing theirs take longer as lenders deal with the HARP demand.