Some mortgages could be going up

Higher payments to hit 800,000

By Julie Schmit
USA Today

Almost 800,000 homeowners will see mortgage payments rise about $200 a month in the next few years as the benefits of their government loan modifications ease, a new government report says.

The first higher payments will hit more than 30,000 homeowners this year. They received the initial mortgage modifications in 2009 under the government's Home Affordable Modification Program, or HAMP, says the report from the office of the Special Inspector General of the Troubled Asset Relief Program.

The modifications were intended to help homeowners avoid foreclosure as housing prices sank and unemployment soared. About 95 percent of HAMP modifications included cuts to interest rates, some to as low as 2 percent, the special inspector general's office says.

But the "permanent" modifications only last five years, after which interest rates can reset no more than 1 percentage point per year until they get back to the prevailing rate for a 30-year fixed rate loan at the time of the modification.

Between now and 2021, 782,748 HAMP homeowners will get increases, the office says, including almost 300,000 next year.

For loans that received program modifications in 2009, the special inspector general's office expects median increases as a result of the higher interest rates of $242, pushing monthly payments to $1,026.

Banks and mortgage servicers modified loans outside the HAMP program. From the end of 2009, more than 3 million non-HAMP modifications were done, says Hope Now, an alliance of housing counselors, mortgage companies and others.