

Who qualifies for mortgage help and how to get it

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By DAVE CARPENTER, AP Business Writer

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Questions and answers about the Hope for Homeowners Act of 2008, passed by Congress last weekend to try to steer as many as 400,000 struggling homeowners away from foreclosure:

Q: What exactly will the legislation do?

A: It will allow those who qualify to cancel their old mortgage loans and replace them with 30-year fixed-rate loans for up to 90 percent of the home's current value. The FHA will insure a total of \$300 billion of the loans over a three-year period.

But the decision on whether to write such a loan remains up to banks, which would have to be willing to take a loss on the existing loans in exchange for avoiding an often-costly foreclosure.

Q: Who is eligible?

A: Eligible borrowers must have spent more than 31 percent of their monthly incomes on their mortgages as of March 1, 2008. The troubled loan must have originated no later than Jan. 1, 2008, and be on the borrower's primary residence. And the borrower's income must be verified.

Q: When does the program start?

A: It takes effect Oct. 1 and runs through September 2011, although the FHA isn't likely to have it operating at full capacity until next year.

Q: Since lenders can pick and choose which loans to refinance, how can consumers determine if theirs will be selected?

A: Check with the bank or financial company servicing your mortgage, but it may be weeks before they make decisions concerning the new guidelines and assess individual loans.

Even then, keep expectations limited.

"Servicers are going to be reluctant to take the government up on their offer," predicted Mark Zandi, chief economist at Moody's Economy.com. "The earliest they'll start taking them up on it is early next year. And even then it's likely to be modest."

Q: Is there anything a homeowner can do to improve chances of benefiting from the program, such as crunching numbers to make a case for the bank?

A: Not really. The best step is to keep up your payments as best you can.

Q: But doesn't this provide an incentive to NOT pay your mortgage, if you're barely keeping ahead of bills and are underwater on your house, so you can qualify?

A: No. If your situation deteriorates enough, the bank may reject any possible new loan.

"Turning yourself into a financial basket case is not going to work," said Dan Seiver, a finance professor at San Diego State University. "If you turn into a complete deadbeat, the servicer is going to just foreclose and dump it."

Q: So what should I be doing now besides trying to keep up with payments?

A: Talk to a local credit counselor and call the toll-free hot line of the Hope Now alliance — an industry group trying to coordinate a response to the mortgage crisis — at 1-888-995-HOPE. It is available 24 hours a day to provide mortgage counseling in multiple languages.

Mary Thomason, director of resource development for The Impact Group of Atlanta, a housing counseling group, also suggests tracking expenses and income closely in order to be able to forecast your cash flow for the next six months and give yourself better control of your finances.

Q: If the banks and lenders refuse to write these loans, then what?

A: Public and political pressure may prompt them to participate. If not, and more people continue to lose their homes, Zandi says the next White House administration subject them to additional regulations or investigations if they remain unwilling to take on the risks.

Q: What happens if I'm able to sell my home after I refinance?

A: If you sell during the next five years, you must agree to share 50 percent of any profits from the resale with the government. What's more, homeowners can only retain equity gains based on a sliding scale. The homeowner would have zero equity from a sale in the first year, with the amount rising 10 percent in each succeeding year and capping at 50 percent from a sale in year five and thereafter.

The equity must be repaid because the maximum amount on the new loans will be capped at 90 percent of the current market value, which automatically gives the previously troubled homeowner 10 percent equity in the home.

Q: Where can consumers find more detailed information about the plan?

A: There is a six-page summary of the housing act at

http://banking.senate.gov/public/_files/HousingandEconomicRecoveryActSummary.pdf

and the FHA's Web site at <http://www.fha.gov> is a place to watch for updated information. The entire 694-page bill is at http://www.house.gov/apps/list/press/financialsvcs_dem/hr3221_bill_text.pdf

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