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## Feds sweeten housing rescue program

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The Obama administration expanded its \$75 billion housing rescue plan on Thursday, launching new incentives for lenders that work with homeowners who can't qualify for loan modifications or refinance under recently announced programs.

The new measures are meant to streamline the process for short sales -- selling a home for less than its outstanding mortgage, and for the transfer of home ownership to a lender without foreclosing. Homeowners would still take a hit to their credit scores with either option, but the effects would be less devastating than foreclosure.

The administration also said it would make payments to encourage lenders to modify loans in markets such as South Florida, where further home price declines are expected.

Mortgage companies have made more than 55,000 offers nationwide to modify borrowers' loans since the foreclosure prevention programs, called Making Home Affordable, were launched in March. Fannie Mae also said it had received 51,000 eligible refinance applications from borrowers with slightly underwater mortgages or with less than 20 percent equity.

"We're seeing a lot of progress in a very short period of time," Treasury Secretary Timothy Geithner said.

Mortgage modification specialists and foreclosure defense attorneys say so far the results in South Florida have been mixed. But for unemployed or seriously underwater South Florida borrowers, the initiatives announced Thursday could offer additional relief when a loan modification isn't possible.

Despite recent efforts to modify loans, foreclosures in South Florida continue to soar, and many housing counselors across the nation complain lenders appear to be struggling to implement the new guidelines.

### **MORE FORECLOSURES**

In both Miami-Dade and Broward counties, foreclosures rose in April by more than 90 percent compared with the same month last year, according to RealtyTrac, a private foreclosure tracking firm. Roughly 11,299 homes received notices of foreclosure, were scheduled for auction or repossessed by a lender last month in Miami-Dade and 10,305 in Broward.

About 35 percent of homes currently listed for sale in the Multiple Listing Service are short sales, according to Ron Shuffield, a Coral Gables-based real estate analyst and president of Esslinger Wooten Maxwell Realtors.

"Our experience at the ground level has been, so far, frustrating," said Michael van Zalingen, director of homeownership at Neighborhood Housing Services of Chicago, a counseling group. Entry-level employees at mortgage companies, he said, are either steering borrowers away from the Making Home Affordable plan or are entirely unaware of it.

### **UNIQUE CHALLENGES**

South Florida borrowers have their own set of unique challenges when seeking loan modifications, said Dennis Donet, a Miami-based foreclosure defense lawyer.

Borrowers, he said, often purchased homes with loans requiring no proof of income or assets. Even though one person signed for the loan, several more people often contributed to the monthly payments.

To do loan modifications, lenders are requiring those borrowers to fully document their income, which can be difficult, especially if borrowers are self-employed. Under Making Home Affordable, monthly payments should not exceed 31 percent of a borrower's monthly income. A modified payment of \$2,000 would mean that a borrower would have to document \$6,000 in monthly income.

"A lot of people in our community are cash-based or self-employed, or have a couple of different incomes combined. It's often difficult to show that as you can in a regular W-2," Donet said.

Under the refinance part of Making Home Affordable, thousands of South Florida borrowers are disqualified because they owe more than 105 percent of their homes' value.

Guy Cecala, publisher of the trade publication Inside Mortgage Finance, doesn't expect to see large volumes of loan modifications before July or August. "The basic problem is that the program is very complicated and involved to set up," Cecala said.

While Van Zalingen said the process was frustrating, Avi Shenkar, president of GMA Modification in Miami Beach, said things were improving. More lenders, he said, were adhering to the Making Home Affordable guidelines and were even applying the formulas to modify loans not backed by Fannie Mae or Freddie Mac.

"Lenders are making it easier and making the process more structured. They are making it exactly like getting a mortgage," Shenkar said.

## **INCENTIVES**

The program announced Thursday provides new incentives to lenders who agree to forgo foreclosure when homeowners sign over title to their properties -- a process also known as a "deed-in lieu" of foreclosure. Another new incentive pays lenders that approve short sales. Mortgage companies would get up to \$1,000 and borrowers would get up to \$1,500 to pay for the cost of moving to another home.

Treasury also said it would soon publish forms to simplify and standardize the process, which could be the biggest help of all, according to Yvette Betancourt, a title agent with The Closing Company Title & Escrow in Miami.

Over the last two years, as falling home values have forced borrowers to try to negotiate short sells to avoid foreclosure, real estate and title agents have complained that lenders were either reluctant, disorganized, or took too long to review and approve deals. As a result, offers fell through and, after a while, many real estate agents began to avoid them completely.

As the market has worsened, however, lenders have significantly improved internal approval procedures to expedite short sales, Betancourt said. "It's a lot easier. The completion time has gone from six months to four to six weeks," she said. The irony, she added, is that now buyers of short-sale properties are taking almost 90 days to line up financing to close.

Treasury also announced it would pay second lien holders up to \$1,000 for losses incurred through short sales. Betancourt said that was a small incentive, but better than many second mortgage holders are getting currently.

Associated Press reporters Alan Zibel and J.W. Elphinstone contributed to this report.

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