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Fannie Mae Seeks to Save You from Foreclosure

If you are one of the hundreds of thousands of homeowners currently experiencing “payment shock” from a resetting adjustable rate loan, the situation may look bleak. Especially if you fall into the subprime or “poor credit” borrower category, options for managing your mortgage payments have become scarce, as more and more borrowers have gone into foreclosure and lenders have tightened up their underwriting standards.

Fortunately, Fannie Mae, the government-sponsored mortgage company, has come up with its own plan to help borrowers facing foreclosure. In a recent speech before the U.S. House Committee on Financial Services, Fannie Mae president and CEO Daniel Mudd made the following statements, “Fannie Mae is committed to being part of a solution that keeps people in homes, minimizes market disruption and improves practices and products for consumers. Congress chartered our company for times like these, to provide liquidity to the mortgage market in the bad times as well as the good. Today, a critical segment of the mortgage market and the families who depend on it need the kind of help we can provide. And we are going to help through a broad initiative we call ‘HomeStay.’”

HomeStay provides several ways to help borrowers keep their homes. The first way Fannie Mae may be able to help you avoid foreclosure with HomeStay is through a process of working with your lender to halt any immediate foreclosure proceedings. If you happen to have a Fannie Mae-backed mortgage, they will work with your lender to create several alternative options to foreclosure. They provide financial incentives to the lenders to motivate them even further to keep your foreclosure from going forward. If you do not have a Fannie Mae mortgage, they will refer you to other foreclosure-halting services that can assist you.

Also through the HomeStay program, Fannie Mae is now offering lending options for subprime borrowers in order to help them refinance out of resetting ARMs and into low, fixed-rate mortgages. They tout such features as “low down payments; long-term, fixed rates; low fees and points; a prohibition on pre-payment penalties and a ban on arbitration clauses.” These refinance options will even allow some homeowners to get into a new loan loans “without first having to clear up unpaid bills on their credit reports.” Also, in order to keep payments low on fixed-rate loans, Fannie Mae is lengthening its maximum loan term from 30 years to 40 years. (This may cut monthly payments by about 5 percent.) Plus the HomeStay loans will be available through at least 2,000 Fannie Mae lenders across the country.

If your ARM loan is about to reset, you can try avoiding the impending “payment shock” by talking to a Fannie Mae lender about refinancing. If you are already in the throes of foreclosure, talk with a Fannie Mae agent immediately to see if he or she can help work out a solution for your troubles. The company is already receiving a record number of applications for subprime refinancing and it estimates that about 1.5 million homeowners could be eligible for their HomeStay program this year. Be sure to check out Fannie Mae’s program before you have to file for foreclosure!