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Obama's housing plan: Can it help you modify your loan?

Yesterday, President Obama announced that his administration has allocated \$75 billion of our taxpayer dollars towards a solution to the housing crisis. It comes in the form of the Homeowner Affordability and Stability Plan. Although we have to wait until March 4th to hear more details on the Plan that President Obama unveiled Wednesday, this is what we know so far.

Those individuals who are behind or having difficulty making their mortgage payments and are on the brink of foreclosure, may be able to **modify** their mortgage under the Plan. The specifics of the form of modification are being worked out. However, examples can be found at <http://www.treas.gov/initiatives/eesa/homeowner-affordability-plan/HousingExampleSheet.pdf>. In addition, owners of multi-family properties up to four units may qualify as long as they live in one of the units as their primary residence. The caveat is that only the first mortgage qualifies for modification. The second mortgage or home equity line of credit does not qualify. In order to qualify, the following is required:

1. The house must be your primary residence.
2. Your mortgage payment must be **greater** than 31 percent of your monthly gross income.
3. Your loan must not exceed current Fannie Mae and Freddie Mac loan limits, which vary by region and max out at nearly \$729,750.

For those individuals not on the brink of foreclosure, in other words, current on their mortgages, if they cannot do a traditional refinance due to their mortgage exceeding their home value, under the Plan they may be able to **refinance** into a fixed rate loan (15 or 30 yrs), but only if their loan is held by mortgage finance companies Fannie Mae or Freddie Mac. In order to qualify, the first mortgage balance cannot exceed 105% of their home's current value. For example, if your home is worth \$200,000, your first mortgage can't exceed \$210,000. The homeowners can still apply under the Plan if they have a second mortgage as long as the **first** mortgage balance does not exceed 105% of their home's current value. The problem is that many of the most problematic loans do not fall under the Fannie-Freddie umbrella.

Although we have to wait until March 4th to get all the details, you should get your finances in order. Collect the documents you will need to determine if you qualify for a refinance such as your pay stubs, tax returns, banks statement, loan statements, credit card statements, auto loan statements, student loan statements, etc. This way, you will be armed to approach a lender in the event you qualify under the Plan.

The above does not constitute legal advice and should not be relied on.