Cindy Fox is responding to a discussion during that class about folks who are underwater - refinancing their loans versus foreclosing as part of the latest government initiative.

- Leo

----Original Message-----
From: Cindy Fox <cfox@mcleanlending.com>
Sent: Sat, Mar 27, 2010 9:56 am
Subject: the new loan mod plans

Good morning!

I just read all I have on the initiatives announced by the White House to help people refinance or modify loans on primary residences that are underwater.

What the government is offering is to give the FHA money to insure refinanced mortgages if the current lender will reduce a first mortgage to 96.5% of the current market value. If there is a second trust on the home, the total loan to value cannot exceed 115% of the total value of the home.

So – two lenders may have to be working together to reduce what was originally owed to them.

What makes this a good idea is that the lenders get the underwater borrowers off their books and the risk of foreclosure on their books will then shift to the FHA ($ 14 billion dollars will pay for this program). That will be the incentive to participate.

The rhetoric is the same as a year ago, the plan really no different. Lender participation is voluntary – not good if people need their principal (or their loan amounts) reduced.

It will take a few months (at best) for lenders to assess the risk and determine how or if, they will participate.