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Obama mortgage relief plan draws praise, skepticism

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A federal plan to help more underwater homeowners refinance their mortgages drew praise and skepticism Monday as a cure for what ails the housing industry.

Rep. Mike Thompson, a St. Helena Democrat who has been a critic of the Obama administration's housing efforts, reflected the mixed reaction to the expanded refinancing program. He called the effort a "welcome but incremental change" on the housing front.



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President Barack Obama speaks outside of the home of Jose and Lissette Bonilla in Las Vegas on Monday.

"I don't think it comes close to where we need to be or what we need to do," Thompson said.

Local loan officers said many clients will likely seek to take advantage of the expanded federal program. However, they said, that still amounts to just a fraction of underwater homeowners.

"Is that really solving the problem?" asked Scott Sheldon, a loan officer with W.J. Bradley Mortgage Capital in Santa Rosa. "I think it's a band-aid more than anything."

The expanded effort was announced Monday by federal officials in Washington and touted on the campaign trail by President Barack Obama.

The new rules would allow refinancing for homeowners whose loans belong to the portfolio of government-owned agencies Fannie Mae and Freddie Mac.

Under current rules of the Home Affordable Refinance Program, homeowners can refinance only if their mortgage amounts don't exceed 125 percent of the home's value. That 125-percent limit will be lifted, but the details aren't scheduled for release until Nov. 15. As such, many borrowers may have to wait until early 2012 to apply for refinancing.

To be eligible, borrowers must not have missed a mortgage payment for the past six months.

Certain fees will be eliminated for those who accept shorter-term loans —down from 30 years to 15 or 20. Such a change won't provide a big drop in monthly payments but will help homeowners who want to more quickly pay down principal on their loans.

To gain the participation of more lenders, the government has agreed to eliminate requirements that now hold banks liable for "defective loans."

Officials estimated the expanded Home Affordable Refinance Program might serve about 900,000 homeowners nationwide in the next two years. Thompson noted that remains just a portion of the 11 million underwater homeowners in the U.S.,



including roughly 2 million in California.

Sonoma County has 27,000 homes with mortgages in excess of value, according to real estate information firm Zillow. That represents about 27 percent of the county's homes.

Speaking in Las Vegas, Obama said his administration had already taken a series of steps to help homeowners with their mortgages, "but we can do more." Even so, the president acknowledged the latest proposal alone won't put the housing market back on its feet.

"Given the magnitude of the housing bubble, and the huge inventory of unsold homes in places like Nevada, it will take time to solve these challenges," he said.

Thompson called for the government to do more.

"We're not going to turn the economy around until we get this housing thing worked out," he said.

For the short term, he said, "I think everybody who has a mortgage today should be able to refinance at today's rates."

Kris Anderson, a senior loan consultant for Allstate Mortgage Company in Santa Rosa, called the expanded program good news for plenty of underwater homeowners.

"This might allow them to do a loan that they might not otherwise do," she said.

Otto Kobler, branch manager of Summit Funding in Santa Rosa, said the program would benefit those with good income and who intend to stay in their homes for more than a few years. That amounts to a portion of all underwater homeowners, he said, but many such owners have become quite frustrated by their inability to refinance at lower interest rates.

"It's amazed me how it's driving a lot of people nuts," Kobler said.

Marty McCormick, president of Alameda Mortgage in Santa Rosa, said the federal program changes little because the homeowners remain underwater and unable to move unless they do a short sale or go through foreclosure.

"They're still not addressing the bigger problem," he said.

Sonoma State University economist Robert Eyler said the refinancing program in theory could help the economy by putting more money in homeowners' pockets and providing some immediate relief from mortgage defaults. Even so, he said, it comes with the risk that it will simply delay the timing of distressed sales and in the end prove a "short-term fix to a long-term problem."

The Associated Press contributed to this story.

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