



Beyond the Headlines

Media Advisory



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How housing rescue bill can help you

A bill passed by the House on Wednesday will assist up to 2 million borrowers in danger of foreclosure by allowing them to refinance their current mortgages with a Federal Housing Administration (FHA)-backed loan. The bill also allocates funding to assist Fannie Mae and Freddie Mac. Most borrowers will receive substantial savings on FHA-backed loans, which carry reasonable interest rates that are fixed for the life of the loan. It also would give the FHA new authority to guarantee repayment of up to \$300 billion in mortgages if a lender agrees to write down the loan principal below a home's current appraised value. First-time home buyers would receive a tax credit. Additionally, states would be authorized to issue an additional \$11 billion of tax-exempt bonds to refinance subprime loans, provide loans to first-time home buyers and fund the construction of low-income rental housing. Finally, it would permanently raise the limit to \$625,000 for mortgages that Fannie Mae and Freddie Mac could purchase. The bill now goes to the Senate for approval and then to President Bush, who is expected to sign the bill into law.

KEEP THIS IN MIND...

- To qualify for the housing assistance program, homeowners must live in their home and have loans that were issued between January 2005 and June 2007. They also must be spending at least 40 percent of their gross monthly income on all household debt. Borrowers do not have to be in default, but they must show proof that they will not be able to continue making their existing mortgage payments.
- Prior to receiving an FHA-backed mortgage, homeowners must first pay off any other debt on the home, such as a home equity loan or line of credit. Borrowers also are not permitted to take out another home equity loan for at least five years, unless it's used to pay for the necessary upkeep of a home and is approved by the FHA. Total debt cannot exceed 95 percent of the home's appraised value at the time of appraisal.
- The program is voluntary, so the original lender(s) must agree to rework the loan before a homeowner starts the application process. Each loan must be underwritten by an FHA-approved lender and will be evaluated on a case-by-case basis. Homes will be re-appraised and banks will verify income statements, bank accounts, job histories and credit scores.
- Although there are little up-front costs for borrowers, consumers receiving a refinanced loan must agree to certain terms, including paying an insurance premium of 1.5 percent of the principal annually to the FHA.

To read the full story, please click here:

http://money.cnn.com/2008/07/23/real_estate/housing_rescue_guide/index.htm?postversion=2008072321