

When Your Mortgage Is Upside Down

You now have more refi options to explore

provided by Jude Wilson RFC, MBA

Are you underwater? Upside down? Those terms mean the same thing: you owe more on your mortgage than your home is worth. If that is your predicament, what are some of your refinancing options?

You could turn to Fannie and Freddie.

Fannie Mae and Freddie Mac have revamped their underwriting engines. If your loan is held by Fannie or Freddie (or the Federal Housing Administration), it may be possible to refinance to up to 105% of your home's value, get a lower interest rate or reduce monthly payments, and move from an ARM to a fixed-rate loan. Owner-occupants of single-family homes, condos, and rental properties of up to four units are all potentially eligible for this.¹

Am I eligible for the Fannie or Freddie

programs? To find out, go to this web page: makinghomeaffordable.gov/refinance_eligibility.html. To see if your mortgage servicer is participating, visit makinghomeaffordable.gov/contact_servicer.html. (It's worth remembering that your lender might bring in underwriting "overlays" more rigorous than the Fannie or Freddie guidelines.)

Another possibility: the FHA programs.

Maybe FHA Secure and Hope for Homeowners (H4H) can help. FHA Secure lets borrowers with non-FHA home loans to refi current or delinquent mortgages into an FHA mortgage. H4H looks long-range, assisting borrowers to refinance current mortgages into a new 30- or 40-year home loan with more reasonable monthly payments. You don't have to be behind on your mortgage to get help from these programs. If you are 90 days or more delinquent, the FHA offers a Streamlined Modification Program to help you in that case.²

A deadline looms. The Making Home Affordable program is scheduled to end on June 10, 2010 – but there is the possibility that application deadline could be extended.¹

Another option: try to renegotiate on your own. Many homeowners have tried this, and for many, the result has been "no" or an extended run-around between this department and that department of a mortgage lender. Mortgage redos are more commonly arranged via the Fannie, Freddie and FHA programs.³

Mortgage industry pros suggest that if you have to try and do it on your own, you should present your case for renegotiating as politely and professionally as you can, and keep talking to the same human being (the same contact person) consistently and persistently. When you get a Broker's Price Opinion to back up your argument for a refi, get multiple BPOs from brokers not involved in your transaction.

Get as much knowledge as you can. Yes, you

could simply suck it up and continue to make the payments, or rent all or part of your home out and become a landlord. Your neighbor might have settled for a short sale or a deed in lieu of foreclosure, or walked away. If you are entertaining any of those options, why not check out the new refinancing possibilities mentioned above? There may be options available to you now that weren't there several months ago. Talk to a qualified mortgage professional to learn more.

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Citations.

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- 2 mainstreet.com/article/moneyinvesting/real-estate/dont-walk-away-underwater-mortgage [12/16/08]
- 3 cbs4denver.com/recession/refinancing.payment.mortgage.2.1015314.html [5/20/09]