

U.S. tries to keep struggling owners in homes

BY JIM WYSS

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The government threw a \$1.5 billion lifeline to unemployed and underwater homeowners on Friday, amid a new report suggesting the nation's foreclosure crisis may be easing.

Under the initiative, Florida and four other states that have seen home prices fall by at least 20 percent since their peak will be eligible to apply for the funds.

The exact amount due the state, and the guidelines for the initiative, will be available in two weeks, the Obama administration said.

While the White House highlighted the need to focus on finding solutions for unemployed homeowners, those who owe more than their home is worth, and those with multiple mortgages on their property, each state will have a great deal of latitude in shaping the initiative.

“This is a relatively modest program given the size of the crisis,” said William Apgar, the senior advisor for mortgage finance at Housing and Urban Development.

“But we can learn a great deal from this. The purpose is to see what works in local situations.”

Each state's housing authority will be responsible for applying for and administering the program.

In Florida that role will fall to the Florida Housing Finance Corp., based in Tallahassee.

Until now, the 140-person nonprofit agency has concentrated on providing foreclosure counseling.

With so few details available, it is too soon to discuss what kind of programs might be pursued, said spokeswoman Cecka Rose Green.

“We are looking at ways to implement the funding for the best possible outcomes to help affected families,” she said. “At this point we don't know how much of the \$1.5 billion we will receive.”

Other states eligible for the funding are California, Nevada, Michigan and Arizona.

President Barack Obama announced the plan in Nevada alongside Senate Majority Leader Harry Reid, who is facing reelection.

“During these difficult economic times, we will work to help responsible homeowners stay in their homes and stabilize the housing market so home values can rise,” Obama said in a statement.

Funding for the program will come from \$50 billion set aside for housing initiatives under the

Troubled Asset Relief Program.

FLORIDA EFFECT

The issue is critical in Florida, where foreclosure rates are the nation's highest.

While home sales have been picking up lately, prices continue to slide. Since the end of 2006, Florida home prices have dropped 37 percent, according to the Federal Housing Finance Agency.

With needs so great, it's unclear what can or will be accomplished with the new funding, said William Hardin, a professor of real estate at Florida International University.

"It sounds like a lot of money, but relative to the problem we have, it's just a drop in the bucket," he said. "My initial impression is that [Obama] is just pandering to voters."

Almost half of all homeowners in the Miami-Fort Lauderdale metropolitan area are underwater -- meaning they owe more on their mortgage than their homes are worth -- according to Zillow.com. And statewide, homeowners have lost hundreds of billions in equity.

At best, the initiative might help hire temporary staff to push through the backlog of foreclosures or help educate homeowners on their options, Hardin said.

The news comes as the Mortgage Bankers Association said foreclosures in the country inched upward to 4.58 percent of all mortgages during the final quarter of 2009. In Florida, foreclosures for the period were up less than 1 percentage point to 13.44 percent -- the nation's highest rate.

Even so, the quarterly survey found the number of loans 30-days past due dropped from 3.79 percent to 3.63 percent -- the largest single drop the survey has registered.

In Florida the 30-day delinquency rate dropped from 4 percent to 3.67 percent.

"We are likely seeing the beginning of the end of the unprecedented wave of mortgage delinquencies and foreclosures that started with the subprime defaults in early 2007 [and] continued with the meltdown of the California and Florida housing markets," MBA Chief Economist Jay Brinkmann said in a statement.

NOT HELPING

For some, Friday's initiative seems too little too late.

Richard Feldman bought his Sunny Isles Beach condo five years ago for \$270,000. Now it is worth less than half that.

For more than a year he has been trying to save the property by getting a loan modification.

"I have been calling my bank religiously every two weeks, I have been calling hot lines, I have been talking to nonprofit people," he said. Four months ago he gave up and quit making payments on the loan.

"I know there are a lot of programs out there," he said. "But they aren't helping the people that need them."

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