

Bank offers 6-figure loan discounts

By **KIMBERLY MILLER**

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Eligible Florida homeowners will begin getting notices this week about a Bank of America push to reduce their loan balances, and the discounts have been doozies.

The average nationwide price cut for an initial group of 5,000 approved homeowners was about \$145,000 per borrower.

The plan, part of a \$25 billion settlement among lenders and state attorneys general, is targeting 200,000 underwater homeowners nationwide, with the highest concentrations in California and Florida.

While Bank of America officials caution that not every homeowner should expect a loan reduction of \$145,000, they predict an average savings of 30 percent on monthly mortgage payments.

Still, the idea of having a loan reduced by more than \$100,000 was a surprise to Florida International University real estate economist Ken Johnson. But he said it could make sense in South Florida, where home values have plummeted from the peak of the market.

"I'm really shocked and don't quite know what to make of that number," Johnson said of the \$145,000 figure. "If they are trying to get balances so they are no longer underwater, that sounds very much like Fort Lauderdale and Palm Beach, where we lost 50 percent value."

According to the Zillow home value index, the median value for all properties in Palm Beach County peaked in February 2006 at \$324,700. The median value had sunk to \$138,300 in December, a 57.4 percent decrease. The county's median sales price for an existing single-family home was \$197,000 in March, according to the Realtors Association of the Palm Beaches .

Bank of America said Tuesday that it will modify loans for eligible underwater mortgages by first reducing the principal balance to as low as 100 percent of the current property value. A lower interest rate, and moving some of the loan balance to be paid only at the end of the loan, also will be considered.

To be eligible for the program, a homeowner must owe more on the mortgage than the home is worth, be at least 60 days behind on payments as of Jan. 31, and have a loan that is owned and serviced by Bank of America. Investor-owned loans managed by Bank of America will be considered.

Although the borrower doesn't have to live in the home, the home is required to have been owner-occupied when the loan was awarded.

Loans backed by federal mortgage giants Fannie Mae and Freddie Mac are not eligible because they aren't included in the February agreement among 49 attorneys general and the nation's five largest banks.

But jumbo home loans are allowed, and borrowers don't have to prove a hardship such as job loss, sickness or death of a spouse.

In Palm Beach County, a Federal Housing Administration loan of more than \$423,750 for a single-family home is considered jumbo, according to the U.S. Department of Housing and Urban Development. For a conforming loan, a jumbo loan is more than \$417,000 for a single-family home.

"To the extent principal reduction and other modification tools help us turn mortgages headed for possible foreclosure into long-term performing loans, this will be positive for homeowners, mortgage investors and

communities," said Ron Sturzenegger, who oversees Bank of America's borrower assistance programs.

But Ken Thomas, a Miami-based economist and independent banking analyst, said homeowners should beware of hidden pitfalls, such as credit score damage that could follow missed mortgage payments.

"It's hard to be optimistic when everything Bank of America has come out with has had strings attached," Thomas said. "They're only doing this because the court is telling them to and not when we really needed the help during 2008, 2009 and 2010."

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