

We're



Now you know

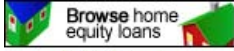
CLICK TO GET TO KNOW US BETTER

Get Quote

Search

- Subscribe to Money
- Make CNNMoney my Homepage
- Add to Favorites

PARTNER CENTER



[Search rates](#)



[Click Here Now](#)



[Technology](#)



[International News](#)

SPECIAL REPORT [Mortgage Meltdown](#)

[Complete Coverage](#)

# How housing rescue bill can help you

**The legislation - likely to be enacted soon - devotes \$300 billion to helping troubled homeowners avoid foreclosure. See if you qualify.**

By Les Christie, CNNMoney.com staff writer  
Last Updated: July 26, 2008: 11:58 AM EDT

[EMAIL](#) | [PRINT](#) | [SHARE](#) | [RSS](#)

NEW YORK (CNNMoney.com) -- The Senate on Saturday passed a \$300 billion housing rescue bill aimed at helping troubled homeowners avoid foreclosure and supporting mortgage giants Fannie Mae and Freddie Mac.

President Bush is likely to sign the bill into law within days. After the law kicks in on Oct. 1, thousands of at-risk borrowers will be able to refinance their unaffordable old mortgages into new low-cost fixed-rate loans insured by the Federal Housing Administration (FHA).

The Congressional Budget Office estimates that 400,000 borrowers with \$68 billion in loans may benefit from the program - but the bill allows for as many as 1 million or 2 million borrowers to participate in the program.

Here's what homeowners need to know.

## Who's eligible?

Qualified borrowers must live in their homes and have loans that were issued between January 2005 and June 2007. Additionally, they must be spending at least 31% of their gross monthly income on mortgage debt to be eligible for the program.

They can be up to date on their existing mortgage or in default, but either way borrowers must prove that they will not be able to keep paying their existing mortgage - and attest that they are not deliberately defaulting just to obtain lower payments.

Before homeowners can get FHA-backed mortgages, they must first retire any other debt on the home, such as a home equity loan or line of credit. Borrowers are not permitted to take out another home equity loan for at least five years, unless it's to pay for necessary upkeep on the home.

To get a new home equity loan, borrowers will need approval from the FHA, and total debt cannot exceed 95% of the home's appraised value at the time.

## How can I apply?

### Breaking down the housing rescue



[More Videos](#)

### Paulson urges action on housing



[More Videos](#)

## ISSUE #1: AMERICA'S MONEY

- Tips on jobs, bankruptcy and scholarships
- WaMu: We have \$50 billion in liquidity
- Tips for minimum wage earners
- Poll: Small-biz owners down on economy, working longer hours
- Ford posts largest quarterly loss ever

**Issue #1 on CNN — This week, 12pm ET**

1. [How housing rescue bill can help you](#)
2. [FDIC shuts two more regional banks](#)
3. [Problem banks: What you need to know](#)
4. [Park your cash in a safe place](#)
5. [Back-to-school bargain hunting](#)

| Markets      | Last             | Change          |
|--------------|------------------|-----------------|
| Dow Jones    | 11,370.69        | ▲ 21.41 / 0.19% |
| Nasdaq       | 2,310.53         | ▲ 30.42 / 1.33% |
| S&P 500      | 1,257.76         | ▲ 5.22 / 0.42%  |
| 10-year Bond | 98 6/32          | Yield: 4.09%    |
| U.S.Dollar   | 1 euro = \$1.567 | ▼ -0.001        |

July 25, 2008 12:00 AM ET

## Photo Galleries



### The world's priciest foods

We checked in with gourmet retailers for the rundown on the world's most expensive culinary indulgences. [More](#)

Borrowers can contact their current mortgage servicer or go directly to an FHA-approved lender for help. These lenders can be found on the Web site of the [Department of Housing and Urban Development](#).

## How does the refinancing process work?

This is a voluntary program, so lenders holding the original mortgage have to agree to rework a given loan before things can get started. The bill requires lenders to make major concessions, writing down the value of the loan to 90% of the home's current value. In areas where prices have plummeted by as much as 20%, that will mean a substantial loss for the lender.

But lenders won't sign off on a workout unless they think that they'll lose less money on that than they would by allowing a home to go through the costly foreclosure process.

Each loan will have to be underwritten by an FHA lender on a case-by-case basis. That means the banks will do a new appraisal to determine the home's current value, as well as examine and verify income statements, bank accounts, job histories and credit scores.

Based on that new appraised home value, the FHA lender must determine how much the original lender has to reduce the original mortgage, so that it will reflect 90% of the home's market value.

If the original lender agrees to the writedown, the new lender buys the old loan and takes over the reworked mortgage.

As part of the deal, the old lender writes off any fees and penalties on the original mortgage, including prepayment penalties, and accepts the proceeds from the new loan on a paid-in-full basis. Additionally, it pays the FHA an up-front premium equal to 3% of the mortgage principal.

## What does it cost?

There should be little up-front costs for borrowers to bear. Loan origination fees will vary by lender, but these can usually be paid by the borrower over the life of the loan in the form of a slightly higher interest rate.

However, the refinanced loans do come with many strings. For one thing, borrowers are responsible for paying an insurance premium to the FHA guaranteeing the loan, which will be 1.5% of the principal annually.

Borrowers also agree to share any profits from future home-price appreciation with the FHA. To do that, they'll pay a "3% exit fee" of the mortgage principal to the FHA when they resell or refinance.

Plus, they'll agree to pay the FHA 100% of any profits they realize from higher home prices if they sell or refinance within a year. So if the original loan principal is \$200,000 and the home sells for \$250,000, the borrower will owe the FHA \$50,000, minus costs.

After a year, borrowers will share 90% of the profits with the FHA. The percentage keeps dropping in 10% increments to 50% after the fifth year, where it stays.

## What will I save?

Savings depend on what borrowers are paying for their present loan and where they live, but for most people it will be substantial, even after factoring in the FHA fees.

## Sponsored Links

### Investing With 15% Return

Invest in Medical Imaging Device & Earn a Monthly Income: Min Inv. \$25K  
[DirectInvestingGroup.com](#)

### What's your credit score?

The U.S. Average is 692. See your 2008 report and score now for \$0!  
[FreeCreditReport.com](#)



- [How housing rescue bill can help you](#)
- [Problem banks: What you need to know](#)
- [Senate passes landmark housing bill](#)
- [Mortgage industry grilled in Washington](#)

[Bankrate.com](#)

## Current Mortgage Rates

| Type                                  | Overall avgs |
|---------------------------------------|--------------|
| <a href="#">30 yr fixed mtg</a>       | 6.41%        |
| <a href="#">15 yr fixed mtg</a>       | 5.97%        |
| <a href="#">30 yr fixed jumbo mtg</a> | 7.59%        |
| <a href="#">5/1 ARM</a>               | 5.92%        |
| <a href="#">5/1 jumbo ARM</a>         | 6.40%        |

Find personalized rates:  
Enter ZIP code



## GM unveils 'fuel-sipping' Camaro

Fuel mileage is front and center as Chevy's muscle car gets a makeover for the "green" generation. [More](#)



## 100 Best Places to Live

Plentiful jobs, excellent schools, affordable housing - America's best small cities have all that and more. [More](#)

## TRY 2 FREE PREVIEW ISSUES!



Outside the U.S. and Canada, [click here](#).

Full Name

Address

City

State/Pr  Zip/Postal

E-mail

[Privacy Policy](#)

In areas that have sustained [huge price drops](#), such as Sacramento, Calif., where prices have fallen by about 30% over the past year, some loans might be reduced by more than 40%.

Additionally, the FHA loans carry reasonable interest rates, which are fixed for the life of the loan, as opposed to a subprime adjustable-rate mortgage that can jump higher every six months. ■

First Published: July 26, 2008: 11:48 AM EDT

[Senate passes landmark housing bill](#)

[Need a mortgage? Bring cash](#)

[Best places to live](#)

[Find mortgage rates in your area](#)

## Sponsored Links

### Investing With 15% Return

Invest in Medical Imaging Device & Earn a Monthly Income: Min Inv. \$25K  
DirectInvestingGroup.com

### What's your credit score?

The U.S. Average is 692. See your 2008 report and score now for \$0!  
FreeCreditReport.com

### ING DIRECT: Official Site

Earn 3.00% Annual percentage yield No fees. No minimums. Apply online.  
www.ingdirect.com

[Buy a link here](#)

## Features

### Energy Fix: Analysis - and solutions



#### Alaska's drilling debate

Even locals in Alaska's National Wildlife Refuge are divided over the issue of drilling for oil. [More](#)

#### Analysis

- [Photos: Drilling in the Arctic](#)
- [The easiest solution: Use less](#)
- [Gas stays below \\$4](#)
- [Sizing up Iran's oil threat](#)



#### Energy fix meets political pandering

The country could offset some oil imports by drilling in Alaska. Some say the debate is a distraction. [More](#)

#### Solutions

- [Wind power: A reality check](#)
- [Where to beat the gas crunch](#)
- [To hell with gas, drive this](#)

© 2008 Cable News Network. A Time Warner Company. All Rights Reserved. [Terms under which this service is provided to you.](#) [Privacy Policy](#)

[Home](#) [Portfolio](#) [Calculators](#) [Contact Us](#) [Newsletters](#) [Podcasts](#) [RSS](#) [Mobile](#) [Widgets](#) [Press Center](#) [Site Map](#) [User Preferences](#)  
[Advertise with Us](#) [Magazine](#) [Customer Service](#) [Download Fortune Lists](#) [Reprints](#) [Career Opportunities](#) [Special Sections](#) [Conferences](#) [Business Leader Council](#)

Live Quotes automatically refresh, but individual equities are delayed 15 minutes for Nasdaq, and 20 minutes for other exchanges. Market indexes are shown in real time, except for the DJIA, which is delayed by two minutes. All times are ET.

\* : Time reflects local markets trading time. † - Intraday data delayed 15 minutes for Nasdaq, and 20 minutes for other exchanges. [Disclaimer](#)