

Mortgage refinance plan in place but lenders wary

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The Obama administration's landmark [refinance](#) plan for severely underwater homeowners became fully operational Monday after automated federal loan processing systems were updated during the weekend.

But nearly five months after the program's debut, and following what many hoped was the last hurdle to a wholesale start, mortgage [brokers](#) said wary lenders are still hesitant to refinance loans other than their own.

The new Home Affordable Refinance Program is for homeowners current on their mortgage payments and regardless of how much more they owe on their [loan](#) than their home's value, or being "underwater."

An earlier version of the plan, aimed at allowing people to take advantage of today's low interest rates, was limited to homeowners who owed up to 25 percent more on the loan over what the home is worth.

While some [lenders](#) began accepting refinance applications from their own customers under the so-called HARP 2.0 this year, a reset to automated approval systems at federal mortgage backers Fannie Mae and Freddie Mac was expected to open the floodgates to a larger segment of underwater borrowers.

"Fannie and Freddie did their thing, but we still don't know who is in and who is out, and nothing is solidified," said Jon Turla, president of the Tallahassee-based Florida Association of Mortgage Professionals.

Before the systems update, lenders who refinanced underwater loans didn't know whether Fannie or Freddie would buy them, or if the riskier loan would be stuck on their own books.

The two government-sponsored enterprises [buy home](#) loans from lenders with a guarantee against default and sell them to investors worldwide.

Skip McDonough, a broker with Family Mortgage in Jupiter, said Monday that some banks sent out messages last week with plan details, but that one has since changed its position and others have put caps on how much a person can owe.

"It's still up to the investor as to whether they want to play in the pool wearing water wings or if they are going to dive in and go," McDonough said.

Although the federal program puts no limit on how underwater a homeowner can be, the plan is voluntary and lenders can set their own terms.

McDonough said Fifth Third Bank is offering refinances to people who owe up to 50 percent more than their home is worth. JPMorgan Chase confirmed it is accepting applications above the 25 percent mark, but only from its current customers.

Quicken Loans will offer refinances to people who owe up to 25 percent more on their mortgage than their home is worth, but has no plans to go higher, said its chief economist, Bob Walters.

"I think this program will be helpful, but I think it will be a disappointment," said Walters, noting the large numbers of owners who are underwater.

In Palm Beach County, about 43.5 percent of homeowners with mortgages were underwater at the end of last

year.

Boca Raton real estate attorney Marlyn Wiener said banks are uncomfortable with HARP because "it goes against the fundamental rules of good lending."

"Each of these programs brings some hope, but the practical application has not been what we all hoped," she said.

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