

## News-Press

February 19, 2009

**Section:** National

**Edition:** all

**Page:** A1,A4

### Homeowners get a lift; some skeptical of Obama's plan

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Financially strapped homeowners got a rare burst of good news Thursday from President Barack Obama, but not everyone struggling to pay a mortgage in Southwest Florida will share in the bounty.

The president, speaking at a high school auditorium near Phoenix, laid out four major initiatives to help keep as many as 9 million Americans from losing their homes to foreclosure.

The main points:

- Bankruptcy judges would have the authority to reduce the balance of a homeowner's mortgage for someone in bankruptcy. At present, other types of loans may be reduced by the judge, but not a mortgage on a primary residence.
  - Fannie Mae and Freddie Mac would let borrowers refinance some mortgages that are more than 80 percent but not more than 105 percent of the current value of their homes.
  - The government would buy up mortgage-backed securities to keep interest rates low and revitalize the housing market.
  - In a \$75 billion initiative, lenders who agreed to a lower interest rate for a mortgage would get a federal subsidy. Borrowers would end up paying monthly payments of no more than 30 percent of tier monthly income.
- The provisions were already drawing pointed questions from local experts as they tried to digest the ambitious program Thursday afternoon.

Most polarizing was the bankruptcy provision, drawing raves from lawyers but horror from bankers.

"I think it's something that's long, long overdue," said Charles Phoenix, a Fort Myers-based attorney who handles bankruptcies. "It's not just whether you can make the mortgage payment but whether the debt is so insurmountable that the consumer is not going to push forward. Until we can take someone's entire financial picture, bring it before a court and bring their entire financial picture into balance, we're not going to be able to get this country going again." However, Bill Valenti, president of Florida Gulf Bank, said the proposal could have unintended consequences. "I think that's a minefield for bankers," he said. "Simply allowing any one of thousands of judges to decide what it should be is just scary. I think that would have a negative effect on lending" and make Wall Street skittish about dealing in mortgage-backed securities.

Other provisions drew less emphatic responses but some skepticism as to whether they'd actually help many people in Lee County. The median price of an existing home sold with the help of a Realtor has fallen by more than two-thirds since the all-time high of \$322,300 in December 2005, down to \$106,900 in December 2008.

Meanwhile, the Fort Myers-Cape Coral area led the nation in its foreclosure rate for 2008, according to RealtyTrac, a national online marketplace for foreclosure properties.

"I don't know what 105 percent will do," said Mark Morris, president and CEO of Commerce Bank of Southwest Florida. That's the maximum percentage of a home's current value that a mortgage may be and still qualify for one of Obama's programs.

Still, Morris said, the plan's heart is in the right place: "It does help the primary homeowner" although it runs the risk of rewarding reckless behavior by those who borrowed too much.

Eddie Felton, executive director of the private, nonprofit Home Ownership Resource Center in Fort Myers, said the proposals would help distressed borrowers such as the ones he counsels make a deal with their lenders, but he's afraid of being overwhelmed by a wave of people seeking help.

Felton also feared there would be a "rush to bankruptcy" that could clog the court system.

But Kevin Jursinski, a lawyer who handles a lot of foreclosure cases, said he likes the proposals - especially the one subsidizing lower interest rates for some borrowers.

Even without that help, Jursinski said, he has been negotiating lenders down to lower rates. One client was able to get his payment reduced from \$2,200 to \$500 a month locked in for five years as the rate dropped to 2 percent from more than 6 percent.

Whatever the plan's merits, it still might not make it through Congress, said Crista Britton, a mortgage broker with Dream Mortgage in Cape Coral.

"They will pick it apart, like they pick apart everything else," Britton said.

Some elements of the plan will require congressional approval - notably the overhaul of bankruptcy rules.

Armour reported from McLean, Va. Contributing: Fredreka Schouten in Washington.

Meanwhile, some homeowners in Lee County are wondering if Obama's programs will be enough to help them

through the economic downturn.

Michael Burnley, 61, was a construction worker until he lost his job last year. He and his wife owe almost \$90,000 more on their home than they could sell it for.

They've cut luxuries such as cable and Internet service, but are still struggling to pay the \$1,200 monthly mortgage. His wife, who works for the school district, fears for her job. Burnley sees few employment prospects in the future. Obama's plan might help, they say, if only a little. Lowering the couple's 6.25 percent mortgage rate could put more money in their pockets.

"I don't want to lose this home," he said. "But how long can you go?"

- Staff writers Dave Breitenstein and Brian Liberatore and The Associated Press contributed to this report.