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and gets a buyer in contract at a price that is below the amount of the existing mortgage balance. This requires the approval of the existing lender. If the lender agrees to the short sale, then the borrower is absolved of the debt and there is no recourse for the lender to continue pursuing the debt obligation. The borrower's credit is hurt less than in a foreclosure and the borrower is able to qualify for a new mortgage in two years after the foreclosure for most conventional mortgage lending.

As a side note, lenders are finally starting to wise up to the huge cost of foreclosing and have realized that it is cheaper to allow the short sale than to force the foreclosure. I bet many of you are not aware of the recent trend in short sales where the lender offers to pay the existing home owner up to \$35,000 to short sell rather than go through with the foreclosure! This means the borrower can live in their house during the short sale process and come out at the end with a windfall of \$35,000. With the short sale process taking up to a year to complete, a borrower can live in their home for six months to a year, rent free, and then be absolved of the debt as well as receive a cash bonus of \$35,000, while being able to qualify for a conventional mortgage in two years after the short sale. With these kinds of incentives, why would anyone stay in a house that is upside down?

Back to our new government programs: The other part of these programs allows borrowers to refinance if they are current on their existing mortgage, while being upside down on their equity. Again, this program is different from HARP because these loans are not currently held by the Government. The existing loan has to be held/serviced by one of the big five lenders to qualify. I am sure there are other qualifying criteria, but I don't have that information as the new initiatives for these programs were just released. Once these new programs are released to the media, it

takes months for them to go into action. We are seeing that with the HARP 2.0 program, which many of you are interested in. We are still waiting for Fannie Mae and Freddie Mac to install the new program guidelines into their automated systems before lenders will make the new guidelines available to us; this should happen by the middle of March 2012.

The main guideline we are all waiting for is the removal of the appraisal requirement so borrowers can be at any level upside down in their equity and still qualify for a refinance at the current market rate. HARP 1.0 allowed for a borrower to have minus 25% equity in the property, but required an appraisal to determine the negative equity percentage. Most lenders did not offer this program, even though it has existed for the last two years. Now that HARP 2.0 is almost here, lenders are all allowing HARP 1.0 to go to the minus 25% equity program. This is their way of trying to get some activity in the program prior to the HARP 2.0 release. I think this is disingenuous as the product existed since 2009 and these lenders could have chosen to help people over the past two years with a product that existed but most lenders, I would say 90% of them, did not make it available because they didn't want to take on the risk. I would strongly suggest to those of you who are getting solicited on HARP 1.0 that you wait it out until later this year and go for the HARP 2.0, so you are assured of getting your refinance without incurring the cost of an appraisal. Please feel free to contact me to go over your options.

*As always, your loan guy,
Viral (Vic) Joshi*

P.S., If you want to get more timely market updates, I have a weekly newsletter that goes out via e-mail. E-mail me, viral@vicjoshi.com, so that I can put you on the mailing list.

Vic's

Mortgage Report

"Home of Free Mortgage Consultation"

Viral (Vic) Joshi

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Hello Friends,

The latest news regarding the government's involvement in the foreclosure mess is a sweeping new

refinance initiative involving the largest five institutional lenders. The big five are Wells Fargo, Chase, Bank of America, Citi, and Ally (GMAC). The first news regarding the new programs includes plans for those borrowers who are behind on their payments and facing foreclosure as well as those borrowers who are current on their mortgage while being upside down on their equity in their properties. These new programs are for borrowers whose mortgages are not held by Fannie Mae, Freddie Mac, FHA, or VA. The new programs are geared to fill the void in mortgage restructuring that isn't covered by the Home Affordable Refinance Program, HARP, and the Home Affordable Modification Program, HAMP. For those borrowers who are behind on their mortgage payments and facing foreclosure on a mortgage not held by the Government, these programs will first try and refinance the existing mortgage to keep the borrower in their home. If the borrower can't qualify for the refinance, the new programs are geared towards putting the property on the fast track to short sale.

A short sale is when the home owner puts their property up for sale
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