

The mad dash for housing help

States and nonprofits rush to provide help to those victimized by subprime loans, and borrowers rush to accept.

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NEW YORK (CNNMoney.com) -- Tens of thousands of frightened homeowners looking to get out from under the crumbling walls of the subprime mortgage collapse have found refuge in a variety of programs.

When Senate Banking Committee Chairman Christopher Dodd mentioned the national Homeowner's HOPE Hotline in comments Tuesday, it triggered some 3,000 calls.

An announcement in April that the Neighborhood Assistance Corporation of America would be offering \$1 billion in rescue money to beleaguered borrowers has prompted more than 50,000 inquiries, according to the organization.

And in Ohio, New York, Massachusetts, Maryland and other states, distressed mortgage holders are clamoring for whatever aid is available.

"It's exceeded our expectations," said Diane Gray, director of counseling and education at Novadebt, one of the nonprofit organizations that helps the Homeownership Preservation Foundation administer the HOPE line. "We've had to revise our forecast for 2007 several times. There's a great need for counseling."

Still, despite the availability of money and good intentions, it has proved difficult to get help to troubled borrowers.

Gray said that in the year or so since the 888-995-HOPE line has been in existence about 30,000 people across the country have called looking for help. Novadebt and the other organizations that help run the hotline provide financial counseling for homeowners then work with banks to try either to rewrite mortgages or determine whether the loans are no longer affordable and the properties need to be sold.

Getting lenders to work with borrowers is the key for many programs out there. Most nonprofits and government-run programs are not offering bailouts as much as they are looking to get borrowers who obtained their mortgages under terms they couldn't meet into more affordable situations.

In the case of the Neighborhood Assistance Corporation, the \$1 billion program has run into situations where lenders seem to be cooperating but then are charging high fees to close the loans.

That's unacceptable to NACA CEO Bruce Marks, who sharply criticized many of the lenders his group has tried working with.

"We will not do a loan if we're going to basically be financing on predatory terms," Marks said. "These are ARMs that will result in the strangulation of the homebuyers."

Still, NACA's program, which offers no-money-down, no-points, no-fee loans at 5.75 percent interest to borrowers with credit scores often below 600, has been wildly popular.

Marks said about half those who have contacted the organization- roughly 25,000 - are going through the approval process now.

"I am hiring a ton of staff and we're growing," he said. "It just goes to show if you provide a prime mortgage that's affordable over the long term to what the industry considers a subprime borrower they become a prime borrower."

Other programs across the country have met with varying levels of success.

In Ohio, the Opportunity Loan that started in April has generated less enthusiasm than officials at the state's Housing Finance Agency had hoped. There are 108 total people registered in the program for loans worth \$14 million, with another 23 loans worth \$3 million already closed.

"We think there are some restrictions in the current guidelines that are slowing the program down a little bit," said Blaine Brockman, the agency's assistant executive director. "We're in the process now of looking at these guidelines and seeing if there are ways we can manage to be a little less restrictive."

New York state has high hopes, though, for its "Keep the Dream" program that will dedicate \$100 million to refinance risky mortgages. The program kicks off Sept. 7 and is aimed, like Ohio's Opportunity Loan, at borrowers not yet in foreclosure but at a crossroads regarding their mortgage situation.

"We just know there's a great need. There's a problem that's very clear," said Philip Lentz, spokesman for the New York Mortgage Agency. "There are a lot of people who are in trouble." ■

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