

# The New York Times

Mortgages

## Avoiding Foreclosure

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EARLY last year, Fannie Mae began offering a surprising option for struggling homeowners: an unsecured personal loan of up to \$15,000 to cover missed mortgage payments.

But vast numbers of borrowers who took out these loans ultimately defaulted. And though still in operation, that program, called HomeSaver Advance, is now being de-emphasized.

Fannie Mae's initiative was intended to help those who had missed at least two mortgage payments because of a temporary setback like a job loss. Borrowers were eligible only if they had overcome that hardship, but had not yet caught up on their mortgages. The program's loan carried a 5 percent interest rate and a 15-year term.

But the Federal Housing Finance Agency, which oversees Fannie Mae, the government-sponsored company, said that the program's participants got into trouble quickly. Of the first 3,300 loans made from February through April of last year, the agency said, almost 70 percent went to borrowers who subsequently defaulted again on their first mortgages. The agency said that Fannie Mae made more than 91,000 loans, averaging \$7,100 each, in the first year.

The success rate has since risen slightly. Fannie Mae's most recent quarterly financial report said that about 60 percent of the mortgages salvaged with HomeSaver Advances in the first nine months of 2008 were at least two months past due, or had failed.

Amy Bonitatibus, a Fannie Mae spokeswoman, would not say how many of the more recent loans were more than 30 or 45 days delinquent — levels that often indicate impending default. The fact that at least some of the loans have not gone into default, however, could help account for Fannie Mae's decision to continue the HomeSaver Advance program. "HomeSaver Advance loans continue to be a viable foreclosure prevention solution," Ms. Bonitatibus said.

But she added that other strategies — especially loan modifications like those recommended in the government's "Making Homes Affordable" program — are increasingly a first line of defense against foreclosure.

Borrowing your way out of trouble is not an uncommon strategy, and can be useful for some people, said John Snyder, the manager of foreclosure programs at NeighborWorks America, a nonprofit group that assists homeowners. "But you have to do it carefully," he added.

Credit card advances and payday loans, for example, amount to only short-term fixes with high interest rates, Mr. Snyder said. He noted that in many states, municipal agencies and nonprofit

groups offer grants and “rescue loans” for those verging on foreclosure. But in almost all cases, borrowers cannot apply for these loans directly.

Rather, they must first seek counseling with a foreclosure-prevention specialist affiliated with the nonprofit group that offers rescue loans, or one that is sanctioned by the government agency that offers the loans.

In Fannie Mae’s HomeSaver Advance program, borrowers are not required to take part in financial counseling beforehand.

The counseling could account for the successes in some other rescue loan programs. The Neighborhood Economic Development Advocacy Project in [New York City](#), for instance, last year started making foreclosure avoidance loans to those who receive financial counseling. Of the 15 loans made so far, none has defaulted.

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