

## Housing Aid Package Aims to Help Responsible Homeowners with Mortgage Loans

President Obama will be in Phoenix, Arizona tomorrow to announce the plan his administration hopes will boost the dilapidated housing market. The country has been anxiously awaiting the details of the proposed \$50B that will go toward a plan to help the housing sector. At the centerpiece of that plan will be stemming foreclosure rates on mortgage loans. An estimated 2.3 million homes were foreclosed this past year and many analysts predict that the number could reach as high as 10 million in the coming years, if the recession continues. Arizona was ranked number three in the nation for foreclosures. It is one of the areas in the country hardest hit by the recession with unemployment recorded at 6.9 percent in the last month of 2008. Announcing the housing relief plan in the state will speak directly to people struggling with the very issues this stimulus package is designed to help.

President Obama was in Colorado yesterday to sign the new stimulus bill. At that press conference, he stated that the goals of the housing plan would target foreclosures on mortgage loans and declining home values to help responsible homeowners. The drop in values has affected homeowners in most areas of the country. One survey by Zillow demonstrated that of every six people who own their homes, one is now in a situation of owning a home worth less than the mortgage on that home. The company approximates that in 2008 the housing sector lost \$3.3 trillion. Homeowners who have mortgage loans and wish to undergo refinancing have a tougher time when their home values have decreased, because it decreases the amount of equity they own. In addition, there is an inventory surplus of houses for sale currently, which makes for an ugly combination. It is expected that the housing plan will offer voluntary incentives to lending institutions to reduce payments on mortgage loans to as low as 31 percent of pretax income for qualified consumers. It is not likely that banks will lower the principal on mortgage loans, but will lower monthly mortgage payments for qualified customers. Making mortgages more affordable will also likely be another goal. That could be accomplished through opportunities to let homeowners hit by declining values undergo refinancing and through decreased interest rates for new mortgages.

The housing relief plan will not mean that everyone who is in trouble with their mortgage loans will get to keep their homes. But the goal of the housing aid package is to help conscientious homeowners keep their homes, in an effort to help the battered housing market begin to recover. History will be the judge of whether or not the plan will work.

### About the Author

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