

Business

PROGRAM OFFERS CHANCE TO SLASH LOAN PRINCIPAL

By **Reed Fujii**

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Record Staff Writer

Efforts to help California homeowners avoid foreclosure and keep their homes received a big boost recently when Bank of America agreed to participate in a principal-reduction program.

It became the first major mortgage service company to join the program, which can offer cash-strapped mortgage holders up to \$100,000 in relief on their loans. Bank of America services more than 2.2 million home loans in the state.

The program aids home-owners at risk of default because of economic hardship and a severe decline in their home values.

Those who qualify are eligible for up to \$50,000 in assistance from the Keep Your Home California program and, with the mortgage lender required to match the program dollar for dollar, a total principal reduction of as much as \$100,000.

While other mortgage modification programs may stretch out monthly payments or lower interest rates to make the loans more affordable, they don't reduce the principal balance.

"The principal-reduction program is one of those that many homeowners have been waiting for," said Evan Geberding, marketing manager for Keep Your Home California, a nonprofit corporation administering \$2 billion in federal funds through a program to help state residents who are struggling to pay their mortgages.

It could prove a lifesaver for borrowers who find other mortgage-modification or loan-assistance programs fall short.

"We're asking homeowners to make one more phone call, give us one more chance, so you can find out if this might work for you," Geberding said. "This one really is different."

Still, it may not help everyone.

For example, mortgages owned or guaranteed by Fannie Mae or Freddie Mac are not eligible for the Principal Reduction Program.

Also, it is being supported by eight mortgage service companies.

For more information, call Keep Your Home California toll-free at (888) 954-KEEP (or (888) 954-5337) or visit KeepYourHomeCalifornia.org.

Contact reporter Reed Fujii at (209) 546-8253 or rfujii@recordnet.com.