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More strapped homeowners get break

Mortgage holders seek to avert foreclosures

By [D.L. Bennett](#)

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Tim Collins finds himself living a national crisis.

First he lost his job when his company moved. Then he fell behind in his mortgage and faced foreclosure.

Now, he's rebuilding his finances thanks to a last-minute deal with his mortgage company to rework his debt and lower his interest and monthly payments.

"You hear all these tales about homeownership being the American dream," Collins said. "Honestly, it will shorten your life span."

Collins can be thankful for at least one thing — his timing.

Had he faced foreclosure as little as six months ago, Collins' mortgage holder might not have been nearly so willing to work with him. However, over the past 30 days government-run mortgage giants Fannie Mae and Freddie Mac and major lenders such as Citibank and JPMorgan Chase & Co. have come up with programs to shave home payments by temporarily reducing interest and extending loan terms.

Experts say those programs can save some of the owners and properties nearing foreclosure in metro Atlanta.

Amber Willis, a counselor with D&E, an agency that advises homeowners in crisis, said she recently noticed a dramatic change in the willingness of many major lenders to help people such as Collins.

"Earlier in the year, it was harder," Willis said. "More lenders are finding creative ways to keep people in their homes."

In December, 6,996 foreclosures are pending in the 13 core metro Atlanta counties. The region has averaged about 6,600 a month throughout 2008. In all, the 13 counties saw about 80,000 foreclosure notices filed in 2008 — up from about 58,000 last year.

Under that kind of onslaught, there's only so much that can be done, experts say.

"Yes, it may be of some benefit to borrowers who are likely to go into foreclosure," said Emory professor Frank Alexander, an expert in real estate law. "It would provide relief only in the short term. This does not provide long-term solutions to problem mortgages. Most of these programs provide no measurable help to people who are in mortgages they should not be in."

Alexander stressed that the programs offered so far typically try to lower the payment for about three years by cutting the interest temporarily and extending the loan to 40 years. He noted that is similar to many of the "teaser rate" loan products people got in the past few years that let people buy more house than they could truly afford. So, a lower rate short term might bring the same kind of crisis later when the rates adjust upward.

Alexander also said that many homeowners facing troubles have loans that are more than their properties are now worth. Unless banks agree to cut the principal to below the amount the property is worth, many of those loans are headed to default, he said.

"The only way these mortgages are going to become viable is if they write down the principal," Alexander said.

Willis agreed.

She said on any given day she has about 50 clients. Half are not able to be saved no matter how willing the bank is to deal with the homeowner because many are just too late, the mortgage company won't deal or their situation is too dire, she said.

The others can be helped if their lenders agree. But many lenders still aren't helpful, she said.

"When we call, it is still like we are going in circles," Willis said.

The numbers from Equity Depot, the firm that tracks foreclosures in Atlanta, bear out Alexander's assertion that many of those facing foreclosure may not be savable. Their records show about 70 percent of the loans being foreclosed on in December were less than 3 years old and had little or no equity.

Local experts also said that the private and public loan restructuring deals being offered may not apply to mortgages that end up as part of huge investment pools. Freeing them from those pools to change the terms can be difficult if not impossible. The programs offered by the federal government and the major banks affect only loans they hold.

And, even the loans held outside the huge pools are managed by dozens of lenders. So getting them all to agree to adjust terms quickly has been a problem so far.

The programs offered so far are aimed at owner-occupied homes, not those owned by investors. So, that's another group that won't be affected.

"Nothing hurts," said Dan Immergluck, a Georgia Tech professor in city planning and real estate. "We don't have good data on all of these modification programs. Some of the modifications now being made could be the same people who were defaulting six months ago. They could be redefaulting. Until we deal with the writedown of the principal, nothing else is really going to be sustainable."

Local real estate experts note that three critical problems dragged down the market in Atlanta.

First, there's the glut of bank-owned foreclosure properties already on the market. Second, there are thousands of new foreclosed homes coming onto the market each month. And, third, the market is constricted by the credit crunch, which has buyers struggling to get money.

John Adams, a real estate expert who gives advice on 920 AM radio, in a column in The Atlanta Journal-

Constitution and through seminars, said if money isn't made available soon, the glut of bank-owned properties will continue to reduce values.

Cash from the \$700 billion bailout needs to get to investors who might buy distressed properties, Adams said. He also suggested it might be used to subsidize homeowners who are behind.

"Somehow the banks have to stop foreclosing," Adams said. "They are coming on the market faster than we can absorb them."

Still, some progress is being made.

Rich Thompson, a lawyer who specializes in bankruptcy cases, has noticed in the past few months an uptick in banks willing to work with people to stall foreclosure. Fear of losing their home to foreclosure is what often drives clients to seek out bankruptcy lawyers, he said.

He said people who see him are typically 90 days or so behind — about when the programs being offered would kick in. Thompson said clients often cite job loss, medical issues or a jump in an adjustable rate that got them behind.

"A lot of folks are out there living paycheck to paycheck," he said. "Their idea of a cushion is still having \$1,000 on their credit card."

He said the renegotiation programs offered by the government and major lenders "could help a lot of people stay in their homes."

Collins said he exhausted his savings while he was out of work. When he found a new job, it was making 70 percent of his old salary. He's happy with the deal to cut the interest he pays on his home in Lithonia from 9.95 percent to 7 percent for five years. He said during that time he hopes to have improved his finances or sell the house.

Collins said he watches the news every night and sees the foreclosure crisis spreading.

"My heart is full with everybody going through this pain," Collins said.

HEADING OFF DISASTER

Each month, hundreds of properties in Georgia get foreclosure notices filed on them. Many efforts to foreclose will be staved off at the last minute through a property sale, bankruptcy filing or an agreement with the bank to rework the loan. Here's a look at what's happened through the first nine months of 2008 as compiled by the Georgia Department of Community Affairs:

Foreclosures ..filedcompleted

Clayton3,466....2,062

Cobb.....4,657....1,698

DeKalb.....7,394....3,721

Gwinnett.....5,802....2,808

Fulton11,517....6,822

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