

## **The Rental Option Plan Offers To Help Foreclosure Victims Remain In Their Homes**

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Fannie Mae and Freddie Mac announced programs to help homeowners who have borrowed from the mortgage giants and face foreclosure to remain in their properties as renters on month-to-month leases.

The proposal received some positive reaction from residents.

Considering the significant number of foreclosures, the program could have some potential for the Frederick area, said Patricia Motter, president of Interfaith Housing Alliance Inc., a not-for-profit organization dedicated to affordable housing.

"Without knowing all of the rules and regulations of this legislation, on the surface it appears to offer neighborhood stabilization as well as household stabilization," Motter said.

Families would be able to keep a roof over their heads at a reduced or more affordable monthly outlay than their previous obligation, she said.

"Children would remain in their current schools and household life and work routines would face less disruption," Motter said.

During the time former homeowners are renting monthly, Fannie Mae and Freddie Mac should report to credit bureaus about on-time rental payments to help rebuild the homeowners' credit ratings, Motter said.

"And Interfaith Housing Alliance would suggest that housing counseling should be a part of this program in order for the families to transition to this new stage, working toward a goal of financial stability and potential return to home ownership," Motter said.

Local attorney John Sica works with potential homebuyers and has participated in seminars designed to keep people in their homes.

"For what it is worth, I think it is a good idea for at least short-term rental/ agreements to be offered to the former property owners," Sica said. "The additional time given to the borrower under a short-term lease may allow for a better transition into the next housing stage of their life."

On the lender/government side, Sica said the additional time could allow for a cleaner and more structured transition time for property acquisition and re-marketing.

"The balloon in foreclosures has not only overburdened the borrowers, but the lenders as well," Sica said. "They cannot keep up with the caseload, and a lease forbearance agreement may be one manner that a more orderly flow of cases enter the system."

The proposal has also been applauded by the Center for Economic and Policy Research, which describes itself as an organization that promotes democratic debate on important economic and social issues that affect people's lives.

"This is a crucial first step in addressing the economic woes caused by the collapse of the U.S. housing market and other lenders would do well to follow Fannie and Freddie's lead," center co-director Dean Baker said in a recent press release.

A similar plan by Baker would go further and allow the right to remain in a home as a renter for five to 10 years, rather than the month-to-month lease of the Freddie and Fannie programs.

But Sica isn't so sure about Baker's plan.

"The suggestion of allowing five- or 10-year leases appears to be beyond the scope of the foreseeable future, and I feel, a bit too overkill," Sica said.

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