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## Mortgage-Rescue Plan to Cover More Borrowers

By RUTH SIMON and NICK TIMIRAOS

The Obama administration is expanding the number of borrowers who can refinance home loans under its housing-rescue program, an acknowledgment that more needs to be done to help people who are upside down on their mortgages.

The administration said Wednesday that borrowers with mortgages worth up to 125% of their home's value will now be eligible to refinance under its program, up from a 105% limit.

To be eligible, borrowers must be current on their mortgages and have loans owned or backed by government-controlled mortgage companies Fannie Mae and Freddie Mac.

Secretary of Housing and Urban Development Shaun Donovan said the higher limits "will make a critical difference in our ability to help many more Americans...to stay in their homes."

Nearly 30% of homeowners with mortgages owe more than their homes are worth, according to Moody's Economy.com.

Wednesday's move is the latest indication that the refinance program, announced in March, has fallen short of expectations. In mid-June, the administration said 20,000 borrowers had refinanced under the program. The administration had previously said that the plan could help four million to five million borrowers who owed 80% to 105% of their home's value.

As recently as late April, Mr. Donovan had rejected the idea of expanding the program to borrowers who were more deeply underwater.

As many as three million borrowers could be eligible for the expanded program, according to Credit Suisse. But many of them have little incentive to refinance at current rates or couldn't qualify because of other limitations.

"It's a step in the right direction, but it's not going to have an overwhelming impact," said Credit Suisse mortgage strategist Mahesh Swaminathan.

The Mortgage Bankers Association said Wednesday that its refinance index dropped to the lowest level since November as rising rates put a damper on applications. Rates on 30-year fixed-rate loans currently average 5.49%, up from a recent low of 4.84% in April, according to HSH Associates in Pompton Plains, N.J.

To encourage borrowers to pay off their loans more quickly, Fannie and Freddie will reduce fees associated with refinancings for mortgages with terms of less than 30 years. Accelerating loan payments will allow borrowers who are underwater to build equity more quickly, the administration said.

Mortgage companies are still struggling to refinance borrowers who are eligible for the program, but have mortgage insurance. That part of the program has "taken longer to put in place" because the process is complex, said Freddie Mac Vice President Patricia McClung.

Some analysts and regulators who oversee Fannie and Freddie say expanding the program could decrease credit risks

to the government-controlled mortgage companies because they already own or guarantee these mortgages; a refinancing to lower monthly payments could make those borrowers less likely to default.

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