

Obama Administration to Announce Details of Plan to Stem Foreclosures on Mortgage Loans

The President purposefully chose Florida to endorse the new stimulus plan and specifically visited Fort Myers. The city has been particularly affected by the crisis in the housing market. It is, however, only one of the areas dealing with the fallout from the real estate downturn. The rate of foreclosures on mortgage loans are the highest this country has ever seen. Many people were lured into purchasing more than they could afford during the real estate boom, as almost anyone who wanted credit could get it. Other responsible consumers who took on mortgage loans within their means are now grappling with decreasing home values, unemployment and reduced retirement portfolios. The new President has pledged to lend a big hand to the beleaguered real estate market through the stimulus plan.

The specific points of that plan have yet to be made public, but the administration has vowed to focus on helping both homeowners with mortgage loans and lenders through this crisis. Secretary of Treasury, Timothy Geithner, told the Senate Banking Committee that any plan to address the struggling real estate market will center around bringing down monthly payments on mortgage loans. It has long been said that it is more financially beneficial for lending institutions to restructure mortgage loans than to have them go into foreclosure. Lawmakers, lenders and representatives from the housing sector have been brainstorming solutions that might help to decrease foreclosures and delinquencies. Some ideas that have been discussed are reducing interest rates on mortgage loans and deferring the principal on mortgage loans until the end of their terms. These tactics are all aimed at lowering the monthly payments for consumers whose incomes do not support their current mortgage loans. The administration hopes to nip foreclosure rates in the bud by offering help to consumers struggling with payments on mortgage loans before they default.

President Obama is expected to announce the details of the plan to boost the ailing housing sector next week in Phoenix, Arizona. Arizona, like Florida, is one of the states hardest hit by declining home values and increasing foreclosure rates. Wall Street, economic analysts and consumers appear to be holding their breath as they await the particulars of the plan to reduce foreclosure rates on mortgage loans and boost the real estate sector. A lot of lending institutions have even suspended foreclosing on additional homes until they know how government plans might help them and their customers.

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