

Mortgage giant offers relief in Virginia to buyers on brink

By [Josh Brown](#)

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Countrywide Financial Corp. has agreed to cut interest rates and provide relief to more than 8,900 troubled Virginia homeowners to help prevent them from going into foreclosure, the state attorney general's office announced Monday.

Virginia joined a nationwide settlement between state attorneys general and the home loan giant, which was acquired in July by Bank of America. Designed to help those most at risk of defaulting on their mortgages, the settlement will provide as much as \$212.8 million of relief in Virginia, mostly in the form of loan modifications.

Homeowners with subprime and "pay-option" adjustable rate mortgages from Countrywide are eligible for modifications to their loans that include freezing or reducing the interest rate, converting them to fixed-rate mortgages, or refinancing.

Subprime mortgages include those to people who did not qualify for conventional mortgages. Pay-option mortgages, also known as option-ARM, allow borrowers to pay only a portion of the interest and principal owed each month, resulting in a loan balance that perpetually increases.

Virginia is the 32nd state to join the settlement, which was announced with 11 states in October, said Jumana Bauwens, a Countrywide spokeswoman. Some of those states had sued Countrywide for deceptive business practices, alleging the lender had misled consumers on the escalating nature of the loans. The institution agreed to provide \$8.4 billion in loan modifications to as many as 397,000 homeowners across the country.

The bank will initially focus on homeowners most at risk of foreclosure, including those already in default, Bauwens said. Countrywide also will waive fees to homeowners late in paying their mortgages.

She did not have specific figures on how many homeowners in Hampton Roads are eligible. She said qualifying homeowners will receive notices in the mail. "I hope this settlement will serve as a model for other mortgage lenders to follow as they develop plans to help homeowners facing foreclosure," Virginia Attorney General Bob McDonnell said in a news release.

Borrowers who financed their homes with Countrywide before Dec. 31, 2007, are eligible.

Countrywide will attempt to modify mortgages so the first-year payment of principal, interest, taxes and insurance will equal 34 percent of the borrower's income.

The program also will provide reimbursement for relocation expenses for more than 1,000 Virginians who already have lost their homes. The bank is working with the attorney general's office to locate those people, Bauwens said.

Vinod B. Agarwal, an economist with Old Dominion University, said the move could help many homeowners in Hampton Roads avoid foreclosure. "I think this is a step in the right direction," he said. Keeping individuals in their homes also is good for the bank, Agarwal said.

"They know that when these loans reset, there are going to be a lot of people who cannot pay their mortgages, and they're going to have to foreclose," he said. "They want to avoid that."

Foreclosure-related notices throughout Hampton Roads are up 2-1/2 times from year-ago levels, according to RealtyTrac, an online foreclosure-monitoring service based in Irvine, Calif. Those include notices of default, trustee sales and bank-owned properties.

Last year, 7,522 adjustable-rate mortgages in Hampton Roads reset to higher rates, according to mortgage-data tracker First American CoreLogic. This year, the firm predicts 4,728 more such loans in the region will reset.

"Our message is, whether or not you have subprime, if a Virginia homeowner is in trouble, they should call Bank of America right away," Bauwens said.

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