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Renting may help stem foreclosures

WASHINGTON - Mortgage buyer Fannie Mae said it will rent homes to borrowers facing foreclosure under a new program designed to keep families in their houses, combat vandalism, and reduce theft at vacant properties.

Those who can't get their loans modified may be eligible to transfer ownership to the lender and rent the home at the market price, which must be no more than 31 percent of their gross income, government-controlled Fannie Mae said yesterday.

About 18.8 million US homes stood empty during the third quarter as banks seized properties from delinquent borrowers, the Census Bureau says. About 937,840 households received notices of default, forced auction, or foreclosure in the quarter, which ended Sept. 30, according to RealtyTrac Inc.

Under the Fannie Mae program, "You're going to give owners a period of time to get their lives back together," said Daniel Alpert, of Westwood Capital LLC, a New York investment bank.

Alpert, who proposed a similar plan last year, said he would like to see people who lost their homes have an opportunity to buy back properties at market rate if their finances improve.

Freddie Mac, which is also under government control, began a similar program in April.

Fannie Mae and Freddie Mac own or guarantee about \$5.4 trillion of the \$12 trillion residential mortgage debt. Together, they account for roughly 70 percent of all new home loan money in the United States.