

US regulator considers mortgage debt reduction for bankrupt: Report

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WASHINGTON Dec 20 (Reuters) - The regulator for Fannie Mae and Freddie Mac is actively considering a proposal that would allow for a reduction in the outstanding mortgage debt of homeowners in Chapter 13 bankruptcy, Financial Times reported on Tuesday.

The plan under review by the Federal Housing Finance Agency would call for the mortgage financing companies to allow bankrupt homeowners who owe more on their housing debt than their homes are worth to pay zero per cent interest for five years, the report said.

Participation in the debt reduction program would be subject to approval by bankruptcy judges, the FT said.

Details of the proposal were laid out in a letter to Congress dated Monday, the newspaper reported.

Fannie Mae and Freddie Mac, combined with the Federal Housing Administration support, about 90 percent of all U.S. mortgages.

An FHFA spokeswoman confirmed the proposal to assist underwater homeowners was under discussion, but declined to provide additional details, the FT said.

But the White House said the proposal was not under consideration.

"While we continue to talk to the FHFA and other market participants about ways to help borrowers and support the housing market, the administration is not at this time considering this particular idea," White House spokeswoman Amy Brundage told FT.

Spokesmen for the White House and FHFA were not immediately available for comment on the FT report late on Tuesday.