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\$3 Billion Allocated For Jobless Homeowners

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Washington... The Obama administration announced Wednesday that as part of an ongoing effort to stabilize housing markets it will send a \$3 billion lifeline to jobless homeowners struggling to make mortgage payments. Tapping into resources from the \$700 billion Wall Street bailout, the Treasury Department will add \$2 billion to its existing "Hardest Hit Fund," assisting the 17 states that have unemployment rates higher than the national average, along with Washington D.C.

A new \$1 billion program led by the Department of Housing and Urban Development will give homeowners who are at risk of foreclosure due to involuntary unemployment, underemployment, or a medical condition interest-free loans for as much as \$50,000 for up to two years.

The two programs "will ultimately impact a broad group of struggling borrowers across the country and in doing so further contribute to the administration's efforts to stabilize housing markets and communities across the country," Bill Apgar, HUD Senior Advisor for Mortgage Finance, said in a statement.

Officials said they will not have an estimate of how many people will benefit from the programs until next month.

But given the grim housing forecast, Campbell Harvey, a professor of international business at Duke University, said the latest efforts were unlikely to make much of a difference.

"It's a drop in the bucket," he said. "It will certainly help the people that actually get the loan. But in terms of the overall situation, it's so small that it's not going to have an economy-wide impact, and that's the sort of thing people are looking for."

HUD is still determining which areas will receive its share of the funds. Under the Treasury's Hardest Hit Fund, California will receive \$476 million, the most of any state. Florida and Illinois also top the list with almost \$239 million and \$166 million, respectively. Funds were allocated among the hardest hit states based on population size.

The financial reform bill signed into law by President Barack Obama last month paved the way for the launch of HUD's Emergency Homeowners Loan Program.

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Working with state and non-profit groups, the HUD program will give "bridge loans" to borrowers who are at least three months delinquent in their payments but likely to begin repaying their mortgage within two years. To be eligible for the program, borrowers must show a strong repayment record before the loss or drop in income. The loans will help them pay their mortgage principle, interest, mortgage insurance, taxes or hazard insurance.

The Treasury's Hardest Hit Fund, which was announced in February, initially extended \$1.5 billion to five states. In March, \$600 million was provided to five more states.

In its third round, the program makes funding available to Alabama, California, Florida, Georgia, Illinois, Indiana, Kentucky, Michigan, Mississippi, Nevada, New Jersey, North Carolina, Ohio, Oregon, Rhode Island, South Carolina, Tennessee and Washington, D.C.

The nine states that have already received funding can use the latest resources to continue support for existing programs or launch new efforts to help homeowners make their mortgage payments as they hunt for jobs.

"Conditions differ dramatically in different parts of the country. The point of the Hardest Hit Fund is to give states flexibility to tailor programs to local needs," said Assistant Secretary for Financial Stability Herb Allison. "We know there is a need locally for this funding.... We think it meets a defined need and we're confident that this is going to be fully utilized."

The rate of foreclosures in the United States remains steep. Irvine-based RealtyTrac Inc. found that a record 269,962 U.S. homes were repossessed by banks in the second quarter of this year.

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