



Refinance.com's "Appreciating America" Plan

"Appreciating America" is a national plan to help homeowners and lenders whose property is in danger of foreclosure due to negative home equity and an ARM resetting to a much higher rate. With this plan we can:

- **Prevent foreclosures**
- **Eliminate or reduce lender write downs**
- **Provide real refinancing options to homeowners**
- **Stabilize property values**
- **Protect the economy and liquidity**

The Problem

Many homeowners in sub-prime and hybrid ARMs, which have already adjusted or will shortly, can't make the new payment; and can't refinance due to lower property values, unaffordable debt to income ratios and/or more conservative underwriting guidelines. The Economic Stimulus Act, which temporarily raised the conforming and FHA loan limits (up to \$729,000) helps to a certain extent, but loan-to-value (LTV) and debt-to-income (DTI) issues still exist with these higher limits.

This all adds up to a situation where defaults and foreclosures have become all too common. There are no winners, only losers – the borrowers, the servicers, the investors and the economy.

A few programs such as Hope Now Alliance have tried to provide a solution, but they help too few in need of assistance. Plus, regardless of the plan offered, the FHA and FHASecure programs are still in need of modification to assist those homeowners most in need. It's a situation that only stands to worsen. And without a comprehensive plan, which addresses all these issues, it will.

The Solution

Under Refinance.com's Appreciating America plan – authored by our Chairman and CEO Nicholas Bratsafolis – homeowners will be eligible for an FHA-insured first mortgage equal to 85% of the appraised value of their home and a second

Appreciating America shared appreciation mortgage for the remaining balance. No monthly payments are required on the second mortgage, and the first mortgage offers an affordable monthly payment, which prevents financial ruin and foreclosure for the borrower. After a defined period of time, the second mortgage is paid off to the lender with the lender and borrower sharing in any appreciation on the home. The bottom line is that:

- The homeowner receives an affordable monthly payment, and incentive to maintain and improve the property.
- The lender gets to share in the future appreciation of the property, and does not have to write down or modify the loan.
- Both parties significantly reduce the risk of foreclosure of the home.

An Example Of Appreciating America At Work

- Original Mortgage(s) = \$200,000
- Current Property value = \$180,000
- Homeowner qualifies for a new \$153,000 FHA first mortgage (to include closing costs and FHA insurance premiums based on 85% LTV) with existing servicer taking a \$47,000 shared appreciation Appreciating America second mortgage.
- Current Mortgage holder(s) get immediate return of \$153,000 (less closing costs and MIP).
- The \$47,000 balance (plus closing costs and MIP) that servicer is owed becomes a shared appreciation Appreciating America loan, secured by the property but with no payments due. Interest would accrue at a reasonable rate of 6%.
- The property appreciates 3% per year over the next five years and is then appraised at \$209,000. At this point, the homeowner will qualify for a new FHA mortgage of approximately \$203,000. The profit of \$56,000 (difference between \$209,000 and \$153,000) would be split as follows: \$16,800 to the homeowner and \$39,200 to the second mortgage holder. The remaining principal balance owed on the second mortgage, plus any accrued interest, would be forgiven at that time.

The Take-Away

The pieces are already in place to help both homeowners and lenders avoid foreclosure on those homes which are worth less than the original mortgage balance and are in need of refinancing due to a resetting ARM. We've already waited too long to step in and help people keep their homes. The time is now to make a difference. And with the Appreciating America plan, we have a viable tool to do so.

To learn more about this program, join Refinance.com Chairman and CEO, Nicholas Bratsafolis, at the “Rescue Plans For Troubled Borrowers” Roundtable Discussion from 4:30-6:00 p.m. on Wednesday, April 30th.