

## Fannie Mae to rent out homes instead foreclosing



### Fannie Mae to allow troubled borrowers to hand over deeds to homes, let former owners rent

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WASHINGTON (AP) -- Thousands of borrowers on the verge of foreclosure will soon have the option of renting their homes from Fannie Mae, under a policy announced Thursday.

The government-controlled company, through its new "Deed for Lease" program, will allow borrowers to transfer ownership to Fannie Mae and sign a one-year lease, with month -to-month extensions after that.

The program will "eliminate some of the uncertainty of foreclosure, keeps families and tenants in their homes during a transitional period, and helps to stabilize neighborhoods and communities," Jay Ryan, a Fannie Mae vice president, said in a statement.

But the effort is likely to affect a relatively small number of homeowners. In the first half of the year, Fannie Mae took back about 1,200 properties through this process, known as a deed-in-lieu of foreclosure. That pales in comparison to the 57,000 foreclosed properties the company repossessed in the period.

While neither option is particularly attractive for the homeowner, a deed-in-lieu does less harm to the borrower's credit record.

The rental program is designed to help homeowners who don't qualify for a loan modification under the Obama administration's plan, but still want to remain in their homes. Fannie Mae is not planning to market the homes for sale during the one-year rental period.

Fannie Mae has hired an outside company, which officials declined to identify, to manage the properties.

To qualify, homeowners have to live in the home as their primary residence and prove that they can afford the market rent, which would be determined by the management company. The rent can't be more than 31 percent of their pretax income.

Fannie Mae's sibling company, Freddie Mac, launched a similar effort in March. That policy, however, requires the foreclosure to be complete and only allows month-to-month leases. A Freddie Mac spokesman declined to say how many borrowers have participated.

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