

Fannie Mae Cracking Down on Strategic Defaults

Fannie Mae announced plans Wednesday to get tough with strategic defaults.

Fannie said that borrowers who default when they are able to pay won't be able to get another Fannie Mae mortgage for seven years. The current wait is five years. While that might sound like an empty threat, in an environment where Fannie Mae and Freddie Mac are providing most home financing, it may have some teeth.

Fannie also threatened to sue home owners who walk away from their mortgages in states where such deficiency judgments are legal.

The announcement attracted some criticism because of Fannie Mae's refusal so far to allow hard-pressed borrowers to negotiate a lowering of their principal amount, which is something lenders are now agreeing to after prodding by the federal government. Critics contend the company should try principal write-downs before it penalizes borrowers for choosing to walk away.

Source: CNNMoney.com, Tami Luhby (06/23/2010)