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Obama Announces \$75 Billion Foreclosure Prevention Plan

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President Obama, calling the housing meltdown a "crisis unlike we've ever known," rolled out a \$75 billion plan Wednesday that his administration hopes will keep as many as 9 million families in their homes.

The announcement in Phoenix comes a day after he signed a \$787 billion economic rescue package that combines spending and tax cuts aimed at saving and creating millions of jobs.

The foreclosure prevention plan is more ambitious than initially expected -- and more expensive. It aims to aid borrowers who owe more on their mortgages than their homes are currently worth, and borrowers who are on the verge of foreclosure.

Obama said the plan is a critical component in his administration's efforts to pull the nation out of recession.

"In the end, all of us are paying a price for this home mortgage crisis. And all of us will pay an even steeper price if we allow this crisis to continue to deepen -- a crisis which is unraveling homeownership, the middle class, and the American dream itself," Obama said. "But if we act boldly and swiftly to arrest this downward spiral, then every American will benefit."

The plan would draw \$50 billion from existing financial bailout money, as well as \$25 billion from government-backed entities like Fannie Mae and Freddie Mac.

Part of the program would instruct Fannie and Freddie to automatically approve refinancing at current rates. That change is expected to give 4-5 million people an immediate reduction in their mortgage payments, according to a senior administration official.

Another component would provide government incentives to modify at-risk mortgages to drive down payments. Lenders would be asked to reduce monthly payments to 38 percent of the borrower's income, and then the government would split the cost of reducing that to 31 percent.

Obama said the funding would not reward "unscrupulous or irresponsible" speculators.

"This plan will not save every home," he said. "But it will give millions of families resigned to financial ruin a chance to rebuild."

Obama said the goal is to target families who are "underwater or close to it" and help those who "played by the rules and acted responsibly."

The goal of the overall plan is to save 7 to 9 million mortgages.

Announcing his plan in a state hard hit by the housing crunch, Obama said that stemming the tide of foreclosures is key to turning around the recession-bound economy.

FOX News' Wendell Goler and The Associated Press contributed to this report.

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