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[Home Equity](#)
[Bad Credit](#)
[CDs/Savings](#)
[Auto Loans](#)
[Credit Cards](#)
[Calculators](#)
[Bad credit home](#) > [Articles](#)
[Compare rates](#)
[Must dos](#)
[Basics](#)
[Calculators](#)
[Q & A](#)
[Tips](#)

## The FDIC will refinance bad IndyMac mortgages

The Federal Deposit Insurance Corp., which seized control of the insolvent California bank IndyMac in July, plans to modify the adjustable-rate loans of at least 25,000 homeowners, including many who are behind on payments.

It's one of the most aggressive foreclosure-prevention efforts we've seen, and FDIC officials hope it will prod other lenders to refinance more of their delinquent ARMs, according to the [Washington Post](#).

The FDIC is offering currently delinquent IndyMac borrowers new, fixed-rate mortgages. Loans will be capped at a 6.5% interest rate, which is the current market rate.

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If the 6.5% isn't affordable, the rate could go down to as low as 3% for some homeowners, and the mortgage length could be stretched to up to 40 years. However, the rate would rise over time to 6.5%. Loan modification fees would be waived, along with any unpaid late charges.

The refinancing plan targets borrowers with little or no equity in their homes and the most costly types of ARMs -- those whose payments have risen so far, so fast that their owners can't keep up.

Unfortunately, IndyMac made lots of bad loans like that, which is what caused it to fail.

To be eligible, homeowners must be able to document their financial difficulty and use the home as their primary residence.

The FDIC is contacting IndyMac customers who might qualify for help and hoping to have all the modifications wrapped up by mid-October.

If you're struggling to keep up with your mortgage but aren't an IndyMac customer, here's our best advice on [how to avoid foreclosure](#).

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