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## Bush signs tax bill to aid ailing homeowners

Forgiven debt, renegotiated terms will no longer be classified at income

**The Associated Press**

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WASHINGTON - President Bush on Thursday signed a measure to provide financial relief for financially strapped homeowners facing foreclosure or in bankruptcy.

The bill gives a tax break to homeowners who have mortgage debt forgiven as part of a foreclosure or renegotiation of a loan. No taxes would be owed on the value of any debt forgiven or written off. Currently such debt forgiveness is taxable income.

"When you're worried about making your payments, higher taxes are the last thing you need to worry about," Bush said in a bill-signing ceremony. He stood along side members of his Cabinet and lawmakers who pushed the measure.

While the measure is anticipated to reduce taxes of some strapped homeowners by \$650 million, the cost to the government would be offset in part by limiting a tax break available on the sale of second homes.

The bill was in response to a mortgage crisis touched off this spring by a blowup in high-priced home loans for risky borrowers, throwing a pall over the economy. Foreclosures are at record highs and late payments are spiking. Lenders have been forced out of business and investors have taken huge financial hits.

"This is going to make a happy holiday for many homeowners," Bush said of the bill moments before signing it into law.

An estimated 2 million to 2.5 million adjustable-rate mortgages \_ worth some \$600 billion \_ will jump from low initial "teaser" rates to higher rates this year and next. Steep prepayment penalties have made it difficult for some to get out of their mortgages, and some overstretched homeowners can't afford to refinance or sell their homes.

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