For homeowners looking to make sense of the Obama administration's new mortgage rescue plan, the program can be basically broken down into two sections.

One part is for homeowners facing foreclosure due to missed payments and are at risk of defaulting on their loans. For them, the government will give the lender financial incentives to "modify" the existing mortgage, reducing the monthly payments so that the homeowner can stay current on the loan and keep their home.

The other part is for homeowners who are keeping up with their mortgage payments but can't refinance with their lender because the value of their home has fallen below the amount of the mortgage.

For these "under water" homeowners, the rescue plan will help refinance the mortgage to lower the monthly payments. There are several restrictions, however, so relatively few homeowners in this category will actually qualify.

That's the simple explanation. But both plans have a lot of moving parts, so here's what you need to know if you want to take advantage of them.

Mortgage Modification

If you're facing foreclosure and want to "modify" your mortgage to keep your home, you must meet the following criteria:

- Have secured your mortgage before Jan. 1, 2009
- Have a primary mortgage of less than $729,500
- You must live on the property
- Must fully document income with tax returns and pay stubs
- Sign a financial hardship statement
- Go for counseling if your total household debt totals more than 55 percent of income.

"Homeowners must be late on their payments to qualify," says Trish Summers, a private mortgage banker with Luxury Mortgage company in Stamford, Connecticut.

If you meet all those qualifications, your lender will then determine how much to lower your monthly payment so it's about 31% of your gross monthly income. The interest rate could be as low as 2%.

Homeowners pay no fees for the modification. However, homeowners could face a balloon payment at the end if your lender reduced your monthly principal payment during the modification. So if your lender reduced your total payments $20,000, you could owe that amount when paid off your loan, refinanced or sold your house.

But there is some financial benfit for the homeowner in the plan. For every month a homeowner makes a payment on time, the Treasury will pay an incentive that reduces the principal balance on a loan. Over five years the total principal reduction could add up to $5,000.

There's also a trial period period for the modification.

"The loan servicer gets paid by Fannie (Mae) or Freddie (Mac) after three months," says Summers. "If the homeowner pays the mortgage on time, the servicer gets $1,000 from the government each year for the next three years. If the mortgage is not paid on time in those three months, the deal is over."

And the new loan rate can go up after 5 years. It's only a low in the beginning to help the homeowner dig themselves out.

The plan is in effect until the end of 2012 and can only be used once.

Refinancing Option

If your current on your mortgage but your bank won't let you refinance because your mortgage is "under water," here's how you qualify for the government refinancing program:

- Your home must be the primary residence
- Your loan must be owned by Fannie Mae or Freddie Mac
- You must have sufficient income to support the new mortgage debt
- You can't take cash out of the new loan to pay other debt

There's another big restriction, however, that will make many homeowners ineligible for the program: the value of your house can't have fallen much below the amount of the mortgage.

"The ceiling of eligibility is 105 percent of current market value of the property—so that’s not going to help homeowners who have suffered home price declines," says Greg McBride, senior financial analyst at Bankrate.com. "Say you bought a house for $320,000. Your mortgage balance is now $300,000 But the house is now worth only $225,000. You are stuck, you can't refinance, even if you made your payments on time."

McBride says the loan to value ceiling should be raised. "It should be something in the neighborhood of 150 percent," says McBride. It's too low to help people in Florida, California, Nevada and Arizona. Those markets are at the epicenter of the foreclosure crisis."

Still, if you do qualify, here's what you get:

- Your mortgage will be refinanced to 30 or 15 years with a fixed interest rate.
- The rate will be based on market rates in effect at the time of the refinance and any associated points and fees quoted by the lender
- Interest payments but be reduced but not principal

Plenty of Critics

The Obama plan says it will help as many as 4 million struggling borrowers modify their loans and some 5 million refinance their current loans. But industry experts remain skeptical.

"One in five homes have come down in value across the country," says Summers. I'm not sure this plan is going to help in refinancing. I think they really need to reduce the balance on the loans to make this work."

And as for the modifications, McBride says there will be those getting help when they made bad decisions.

"I don’t have much hope for it," says McBride. "In reviewing the guidelines, I see nothing to prevent a homeowner that cashed out equity when prices were on the way up, from getting a modification. Are they going to give back the big screen TV and BMW? Probably not."