

BUSH ADMINISTRATION TO HELP NEARLY ONE-QUARTER OF A MILLION HOMEOWNERS REFINANCE, KEEP THEIR HOMES
FHA to implement new "FHASecure" refinancing product

WASHINGTON - President George W. Bush today announced that HUD's Federal Housing Administration (FHA) will help an estimated 240,000 families avoid foreclosure by enhancing its refinancing program effective immediately. Under the new *FHASecure* plan, FHA will allow families with strong credit histories who had been making timely mortgage payments before their loans reset-but are now in default-to qualify for refinancing.



In addition, FHA will implement risk-based premiums that match the borrower's credit profile with the insurance premium they pay-i.e., riskier borrowers pay more. This common-sense, risk-based pricing structure will begin on January 1, 2008.

"Many hard-working American families who were able to make their mortgage payments under the initial teaser terms of the exotic loan are now struggling to make ends meet because their rates have doubled or tripled," said HUD Secretary Alphonso Jackson. "*FHASecure* will bring stability to the housing market and give eligible families who were in good financial standing before their loans reset a chance to keep their homes."

The combination of *FHASecure* and risk-based premium pricing will permit FHA to return to the role it was originally designed to play, bringing stability to the real estate market by helping break today's cycle of foreclosures and price depreciation and creating much needed liquidity in the now-constricted mortgage market.

FHA has recently experienced a substantial increase in the number of conventional borrowers refinancing into FHA products. With *FHASecure*, it can help even more. The number of these refinancing transactions has tripled since the start of 2006. FHA's transactions are projected to surpass 100,000 loans by the end of the fiscal year. To date, these figures do not include refinances for delinquent borrowers.

The *FHASecure* initiative will operate under the same safe guidelines as the FHA's existing mortgage insurance program without affecting FHA's financial health. Eligible homeowners will be required to meet strict underwriting guidelines and pay a mortgage insurance premium, which offsets the risk to FHA's insurance fund at no cost to the taxpayer.

The risk-based insurance premium structure will further expand FHA's reach to additional underserved borrowers, particularly minorities and first-time homebuyers who have been disproportionately lured into exotic mortgages, and enhance the FHA's overall risk management. The move to risk-based premiums ensures that FHA remains on solid financial footing as a self-financed agency for the long-term.

FHASecure, like all FHA products, will be underwritten to ensure the borrowers have the ability to repay the loan, will require escrow for taxes and insurance, and will continue to offer unprecedented foreclosure prevention assistance. The FHA has never permitted and will not include pre-payment penalties or teaser rates that are common in exotic mortgages and have caused much of the current market troubles.

To qualify for *FHASecure*, eligible homeowners must meet the following five criteria:

1. A history of on-time mortgage payments before the borrower's teaser rates expired and loans reset;
2. Interest rates must have or will reset between June 2005 and December 2009;
3. Three percent cash or equity in the home;
4. A sustained history of employment; and
5. Sufficient income to make the mortgage payment.

"*FHASecure* is designed for families who are good borrowers but were steered into high-cost loans with teaser rates," said Assistant Secretary for Housing-FHA Commissioner Brian Montgomery. "These homeowners, many of whom are minorities, need a safe, affordable mortgage product that will help build wealth. All FHA borrowers pay mortgage insurance premiums to offset claims to the FHA insurance fund and ultimately prevent risk to the taxpayer."

FHASecure will also bring much-needed liquidity to the mortgage market. FHA anticipates more lenders will offer FHA-insured loans, pool them, and securitize them with the Government National Mortgage Association (Ginnie Mae), which has the full faith and credit of the U.S. government. This guarantee makes Ginnie Mae's mortgage-backed securities the safest on the market and helps to channel greater capital into the housing market, benefiting U.S. homeowners.

Since its inception in 1934, FHA has helped almost 35 million people become homeowners, making it the largest insurer of mortgages in the world. The 109th Congress introduced the Expanding American Homeownership Act in June 2006 which would enable FHA to be a safe option for more underserved low- and moderate-income and minority families so they can achieve the American Dream of homeownership. Today, President Bush also urged Congress to quickly pass the Administration's FHA modernization proposal to help more families in need.

For more information about *FHASecure* and other FHA products, please call 1-800-CALL-FHA or visit www.fha.gov or www.hud.gov. For a list of your local homeownership center or a HUD-approved housing counseling center, go to www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm

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HUD is the nation's housing agency committed to increasing homeownership, particularly among minorities; creating affordable housing opportunities for low-income Americans; and supporting the homeless, elderly, people with disabilities and people living with AIDS. The Department also promotes economic and community development, and enforces the nation's fair housing laws. More information about HUD and its programs is available on the Internet at www.hud.gov and espanol.hud.gov. For more information about FHA products, please visit www.fha.gov.