



THE WHITE HOUSE
PRESIDENT
GEORGE W. BUSH

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Fact Sheet: New Steps to Help Homeowners Avoid Foreclosure

President Bush Announces Steps To Help American Families Keep Their Homes And Reform The Mortgage Finance System

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Today, President Bush Announced Steps At The Federal Level To Help Homeowners In Need Of Assistance Avoid Foreclosure. These steps will help homeowners having difficulty paying their mortgages and ensure that the problems now disrupting the housing industry do not happen again. The fundamentals of America's economy are strong – economic growth is healthy, wages are rising, and unemployment is low. The markets are in a period of transition as participants are re-assessing and re-pricing risk. One area that has shown particular strain is the mortgage market, particularly the subprime sector.

The President Announced The Following Steps To Help American Families Keep Their Homes

- **1. The President Calls On Congress To Pass Federal Housing Administration (FHA) Modernization Legislation.** The President's FHA modernization proposal would lower downpayment requirements, allow FHA to insure bigger loans, and give FHA more pricing flexibility. These reforms would empower FHA to reach more families that need help – first-time homebuyers, minorities, and those with low-to-moderate incomes – and offer more options to homeowners looking to refinance their existing mortgage.
 - **The Administration Will Also Launch A New FHA Initiative Called "FHA-Secure."** The President has asked Secretary Jackson to pursue important administrative changes to give FHA the flexibility to help more families stay in their homes during this time of transition in the mortgage market. The FHA-Secure program will help people who have good credit but who have not made all of their payments on time because of rising mortgage payments. For the first time, FHA will be able to offer many of these homeowners an option to refinance their existing mortgage so they can make their payments and keep their homes. FHA will also charge mortgage insurance premiums based on the individual risk of each loan, using traditional underwriting standards, so it can expand access and help even more families.
 - **Since 1934, FHA Has Helped Close To 35 Million People Buy A Home And Stay In Their Home.** FHA is a government agency that provides mortgage insurance to borrowers through a network of private sector lenders. It also offers options to homeowners looking to refinance their existing loan. The President's FHA modernization bill was first sent to the Hill in April 2006, and it passed the House last Congress with over 400 votes. The President has once again asked Congress to send him a clean FHA modernization bill as soon as possible so he can sign it into law.
- **2. The President Calls On Congress To Change A Key Housing Provision Of The Federal Tax Code So It Does Not Punish Families Who Are Forced To Sell Their Homes For Less Than Their Mortgage Is Worth.** Current tax law counts cancelled

mortgage debt on primary residences as taxable income. For example, if the value of a home declines and \$20,000 of the homeowner's loan is forgiven, the tax code treats that \$20,000 as taxable income. The President proposes temporary relief to ensure that cancelled mortgage debt on a primary residence is not counted as income.

- **The President Is Working With Congress In A Bipartisan Fashion To Make This Important Change.** Senator Debbie Stabenow (D-MI), along with Senator George Voinovich (R-OH) and others, has introduced a bipartisan bill that would protect homeowners from having to pay taxes on cancelled mortgage debt. In the House, Representatives Rob Andrews (D-NJ) and Ron Lewis (R-KY), along with several of their colleagues, have introduced similar legislation. The President looks forward to working with Congress to reach agreement on a bill, so we can deliver this vital tax relief to American homeowners.
- **3. The President Announced That The Administration Will Launch A New Foreclosure Avoidance Initiative To Help Struggling Homeowners Find A Way To Refinance.** Housing and Urban Development Secretary Alphonso Jackson and Treasury Secretary Henry Paulson will reach out to a wide variety of groups that offer foreclosure counseling and refinancing for American homeowners. These groups include community organizations like NeighborWorks, mortgage lenders and loan servicers, FHA, and Government-Sponsored Enterprises like Fannie Mae and Freddie Mac. The goal of this initiative is to expand mortgage financing options, identify homeowners before they face hardships, help them understand their financing options, and allow them to find a mortgage product that works for them.

The President Supports Actions To Protect Homeowners And Prevent These Problems From Happening Again

Federal Banking Regulators Are Improving Disclosure Requirements To Ensure That Lenders Provide Homeowners With Complete, Accurate, And Understandable Information About Their Mortgages. Many borrowers did not receive clear and complete disclosure regarding the terms and conditions of their mortgages. To help protect homeowners in the future, Federal banking regulators recently issued new disclosure guidelines for lenders, and they continue to consider new rules. Homeowners must have complete, accurate, and understandable information – including on the potential increases in their monthly payments.

Federal Banking Regulators Are Working To Strengthen Mortgage Lending Standards. Questionable underwriting standards enabled mortgage lenders to place some borrowers in sophisticated products they could not afford. The Federal banking regulators recently set forth new guidelines to address lending standards, and they will continue to examine new rules. Lenders have an obligation to ensure that their standards accurately measure whether borrowers can afford their mortgage.

The Administration Is Working On New Rules To Help Consumers Shop For The Best Loan Terms. This fall, HUD will propose reforms to the Real Estate Settlement Procedures Act (RESPA) that would promote comparative shopping by consumers for the best loan terms, provide clearer disclosures, limit settlement cost increases, and require fee disclosure.

The Administration Supports State-Based Efforts To Create A Comprehensive Mortgage Broker Registration System. The President has also asked Secretary Paulson to examine the broad issues surrounding mortgage brokers and originators.

The Administration Is Committed To Pursuing Fraud And Wrongdoing In The Mortgage Industry. Some lenders deceived their customers – and pushed them into taking out loans they knew these home buyers could not afford. Federal agencies, such as HUD, the Department of Justice, the Federal Trade Commission, and others, are aggressively pursuing wrongdoers and predatory lenders to ensure they are punished. This will send the message that these practices will not be tolerated.

The President Will Create A Presidential Council On Financial Literacy Composed Of Leading Private Sector Individuals Who Can Help Promote Financial Literacy. This Council will work closely with the Treasury Department, HUD, and the Department of Education to make sure that we are raising awareness of these complicated issues.

The President Supports The Efforts Of Public and Private Sector Groups That Are Promoting Financial Literacy And Providing Foreclosure Counseling. For example, the President's Budget proposes \$120 million for NeighborWorks, which provides foreclosure workshops and counseling to borrowers. The President's FY 2008 Budget request includes \$50 million for HUD's housing counseling program.

The President Has Asked Secretary Paulson To Lead The President's Working Group On Financial Markets In Examining Some Of The Broader Market Issues Underlying The Recent Mortgage Problems. The President's Working Group on Financial Markets is led by Treasury Secretary Paulson and is composed of Federal Reserve Chairman Bernanke, Securities and Exchange Commission Chairman Cox, and Commodity Futures Trading Commission Acting Chairman Lukken. The group will examine:

- The role of credit rating agencies and how their ratings are used in lending procedures, and
- How securitization, the repackaging and selling of assets, has changed the mortgage industry and related business practices.

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