

This page is located on the U.S. Department of Housing and Urban Development's Homes and Communities Web site at <http://www.hud.gov/news/release.cfm?CONTENT=pr08-050.cfm>.



News Release

HUD No. 08-050
Steve O'Halloran
(202) 708-0980
www.hud.gov/news/

For Release
Wednesday
April 9, 2008

BUSH ADMINISTRATION TO EXPAND MORTGAGE HELP FOR STRUGGLING FAMILIES
Expanded FHASecure able to help half a million homeowners stay in their homes by cutting mortgage payments

WASHINGTON – The Bush Administration today announced additional mortgage assistance for subprime borrowers who are at risk of foreclosure. The plan, which is designed to help address the adverse economic conditions affecting many communities across America, will help break the cycle of house price depreciation that is being caused by an increasing number of foreclosures and the overall contraction in the credit market. Under the new plan, HUD's Federal Housing Administration (FHA) would have the added flexibility to insure more mortgages, including those for borrowers who were late on a few payments and/or received a voluntary mortgage principal write-down from their lender.

This *FHASecure* expansion will help more homeowners who are struggling to keep up with mortgage payments on their high-cost subprime loans. With this expansion of *FHASecure*, the Administration expects about 500,000 families to refinance into prime-rate FHA-insured mortgages in total by the end of this year.

"Our plan will help hundreds of thousands of desperate families who have no place else to turn for safer, lower cost ways to keep their homes," said Federal Housing Commissioner-Assistant Secretary for Housing Brian D. Montgomery at a hearing of the House Financial Services Committee. "We want to be able to help families who are in the right house, but the wrong mortgage."

In August 2007, FHA modified its refinancing program to help creditworthy homeowners who missed payments after their teaser rates reset. Now, *FHASecure* is expanding its eligibility standards. Homeowners who believe they meet this additional eligibility criteria must fall into one of the following categories:

1. Borrowers with adjustable rate mortgages who were late on two consecutive monthly mortgage payments or at two different times over the previous twelve months. FHA will require a 97 percent loan-to-value (LTV) ratio for these borrowers to refinance, the same

LTV as FHA's current standard.

2. Borrowers with adjustable rate mortgages who were late on three consecutive monthly mortgage payments or at three different times over the past 12 months. FHA will require a 90 percent LTV ratio for these borrowers to refinance.

With these new criteria, the expanded *FHASecure* can help additional borrowers access a more viable refinancing option and will offer lenders an alternative to foreclosing on these individuals. Lenders may voluntarily write down the outstanding subprime mortgage principal balances to a 97 percent or 90 percent LTV ratio depending on the borrowers' circumstances. FHA will also encourage lenders to make other arrangements, such as subordinate financing, to "fill the gap" between the existing loan balances and the FHA-insurable loan amount. The refinanced loan amount backed by the FHA would be based upon a new appraisal, performed by an FHA-approved appraiser.

FHA will insure new, more affordable mortgages in exchange for this equity cushion, which will protect FHA's insurance fund, and thus the taxpayer, against risk. Currently, FHA's insurance fund is self-sustaining, meaning that it requires no appropriation of taxpayer dollars because homeowners pay for the product themselves. Further, any new *FHASecure* loans will continue to meet FHA's no-nonsense underwriting standards. Lenders will be required to ensure borrowers have the capacity to repay their mortgages; show a reasonable credit history; employment history; and fully document and verify their incomes.

Like all FHA-insured loans, borrowers will be required to pay upfront and annual premiums on their loans, which directly contribute to the soundness of FHA's insurance fund and protect taxpayers. FHA will also be simultaneously updating the pricing policy for these premiums. The new policy will base premiums on the individual borrower's credit risk profile. More than 90 percent of FHA-backed loans are 30-year fixed rate mortgages. Homeowners currently using *FHASecure* are saving \$400 a month on average compared to their previous subprime loans.

"More homeowners continue to turn to FHA to find mortgage terms they can afford. We're keeping families in their homes while doing what's in the best interest of future generations who will rely on the safety and soundness of FHA to put a roof over their heads. The modifications to the existing *FHASecure* product offer a prudent, yet appropriate, way to help more families refinance without putting the government or taxpayers at risk. Consistent with FHA's historical mission, the changes are designed to help FHA provide additional liquidity and stabilize local real estate markets."

Since September 2007, FHA has helped pump nearly \$68 billion of much-needed mortgage activity into the housing market, \$28.5 billion of which was through *FHASecure*. *FHASecure* has helped more than 150,000 homeowners who are current or past due on their loans avoid foreclosure, and, with today's announcement, it is expected to assist 500,000 total families by December 31, 2008.

###

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.

U.S. Department of Housing and Urban Development

451 7th Street, S.W., Washington, DC 20410

Telephone: (202) 708-1112 [Find the address of a HUD office near you](#)