

**A Comparison of Mortgage Rescue Plans**

<b>Concept</b>	<b>HUD Plan</b>	<b>House Democrat Plan</b>	<b>Senate Democrat Plan</b>	<b>OTS Plan</b>	<b>NCRC Plan</b>	<b>Martin Feldstein Plan</b>	<b>Alan Blinder Plan</b>	<b>Refinance.com Plan</b>
<b>BACKGROUND</b>								
<b>Title</b>	<i>FHASecure</i>	FHA Housing Stabilization & Homeownership Retention Act.	HOPE for Homeowners Act of 2008.	No specific name; referred to as Foreclosure Prevention Proposal.	Homeowner Emergency Loan Program (HELP) Now Plan.	N.A.	N.A.	Appreciating America Plan.
<b>Author/Champion</b>	White House, Department of Housing and Urban Development	Rep. Barney Frank (D-MA), Chairman of the House Financial Services Committee	Sen. Chris Dodd (D-CT), Chairman of the Senate Banking Committee	John Reich, Director, Office of Thrift Supervision	Jim Carr, CEO, National Community Reinvestment Coalition (NCRC)	Martin Feldstein, Chairman of the Council of Economic Advisors under President Reagan; currently professor at Harvard.	Alan Blinder, former vice chairman of the Federal Reserve; currently professor of economics at Princeton.	Nicholas Bratsafolis, Chairman and CEO, Refinance.com
<b>Announced</b>	September 5, 2007; an "expansion" was announced April 9, 2008 in testimony before the House Financial Services Committee. HUD Mortgagee Letter forthcoming.	March 13, 2008; A draft has been circulated though legislation has not been introduced.	March 13, 2008; legislation has not been introduced. A draft was circulated on March 25, 2008.	February 20, 2008.	January 31, 2008.	March 7, 2008, <i>Wall Street Journal</i> editorial.	February 24, 2008, <i>New York Times</i> editorial.	March 11, 2008.
<b>Key Idea</b>	A refinancing option that gives homeowners with current or delinquent non-FHA ARMs the ability to refinance into a FHA-insured mortgage. The lender may write down a portion of the outstanding loan balance or offer a second mortgage to make up the difference between the value of your property and what is owed.	Legislation to provide up to \$300 billion in new mortgage insurance under the FHA in order to facilitate the refinance and restructuring of troubled mortgages into loans set at current property values. Focuses on borrower's monthly payment.  Also provides for bulk refinance mechanism for troubled loans.  Includes provision for states to purchase and rehabilitate homes to avoid further property value decline.	Legislation to provide \$10-20 billion in credit subsidy to a new government program, "HOPE for Homeowners Program," which would provide new FHA-insured loans that provide for forgiveness of debt for troubled mortgages followed by refinancing into fixed-rate loans based on current property values. Loans will be eligible to be pooled into securities guaranteed through Ginnie Mae.	Depository institutions would offer FHA-"guaranteed" loans (under the existing program) based on the 100 percent current fair market value of the property. Proceeds pay off existing loan. Instead of forgiving the difference between the loan amount and the home's appraised value, investor or existing lender receives a negative amortization certificate, similar to a warrant that could be publicly traded. When the borrower sells, the warrant would be paid out of the proceeds; the borrower would receive only the excess from the certificate.	Utilize the Home Owners Loan Corporation (HOLC) from the 1930s as a model for a program (instead of an agency) to purchase outstanding loans in securitized pools at a discount, and then refinance or modify them.	Establish a loan "substitution" program that offers borrowers low-cost loans up to 20 percent of their mortgage balance that may be repaid over 15 years, giving them a larger equity stake in the property.	Reestablish the Home Owners Loan Corporation (HOLC) from the 1930s as a new federal agency financed through capital markets and the Treasury (possibly \$200-\$400 billion) for purchasing old loans from banks in exchange for government bonds, and issuing new loans to homeowners.	Refinance existing ARM's with decreasing values into FHA Insured Loans at 85 percent of the current value of the home. Write the remaining balance due under the existing ARM into an Appreciating America Shared Appreciation Second Mortgage with no payments due for five years. After five years, appreciation in the home pays off the Second mortgage and any additional value split 30 percent-70 percent between the borrower and the original servicer. Servicers able to modify loans under ASF guidelines, Investors able to recover original mortgage without a write off, homeowner incented to remain in home making payments and improvements.

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<b>QUALIFICATIONS</b>								
<b>Eligibility</b>	Per the April 9 announcement, <i>FHASecure</i> underwriting criteria will provide two entrances into <i>FHASecure</i> for ARM borrowers. Eligible borrowers must belong to one of the following categories: 1) To be eligible for the current <i>FHASecure</i> program, borrowers must be late on two consecutive monthly mortgage payments at two different times over the previous 12 months. FHA will require a 97 percent LTV to refinance; 2) To be eligible for the "expanded" program, borrowers must be late on three consecutive monthly mortgage payments or at least three different times over the past 12 months. FHA will require a 90 percent LTV for these borrowers to refinance.	Existing loans must: (1) be owner-occupied principal residences only; (2) have been originated between January 1, 2005 and July 1, 2007; (3) be extended to borrower with DTI of no less than 40 percent (as of March 1, 2008); (4) include borrower certification that he/she has not intentionally defaulted on existing mortgage(s); and (5) include waiver, on the part of participating mortgage holders/investors, of penalties or fees on the existing mortgage, and holder/investor must accept proceeds of the new loan as payment in full.	Eligible mortgages must be originated on or before January 1, 2008 and have an owner occupied home. No investors or investor properties would qualify. Borrowers must not be able to afford mortgage payments, based on standards set by the Board,	Targets borrowers with subprime ARMs, neg. am. loans, and IO mortgages, though all borrowers are likely to be eligible.	The concept paper explains that the HELP Now Plan will assist more borrowers than FHA and <i>FHASecure</i> ; it may be inferred the underwriting criteria will address circumstances below the FHA and <i>FHASecure</i> underwriting standards.	Targets borrowers with negative equity (this group not yet clearly defined).	Borrowers in owner occupied; no speculators.	Only owner occupied properties
<b>MECHANISM</b>								
<b>Government Involvement</b>	FHA insurance on the new loan (first lien, in the case of a soft second) through <i>FHASecure</i> .	FHA Insurance.	A new federal program – not an agency, -- the "HOPE for Homeowners Program."	FHA "guarantee."	Establishment of "Homeowners Emergency Loan Program" through one of the following agencies or a combination of several, including Treasury Department, FHA, GSEs, or Federal Home Loan Banks.	A federal agency; proposed to be best for FHA or Treasury.	Establishment of a new Home Owners Loan Corporation (HOLC).	FHA Insurance.
<b>Pay Off of Existing Loan(s)</b>	The new <i>FHASecure</i> loan, under the program's expansion, would pay off the former loan up to 90 percent LTV, and FHA will "encourage" the refinancing lender to make "other arrangements,"	Plan provides for possibility of a program for auctioning FHA-insured bulk refinanced loans, managed by a "Refinance Program Oversight Board" that will develop a structure for conducting	The Board shall set forth a process for an auction to refinance eligible mortgages on a wholesale bulk basis.  Existing subordinate liens must be extinguished;	Depository institutions offer and underwrite FHA-"guaranteed" loans (i.e. under the existing program proposed for this purpose) based on 100 percent of the current fair market value of the	HELP Now program would purchase loans held in securitized pools at a discount so the loan may be modified for refinanced.	Federal program would lend each voluntary participant 20 percent of borrower's current mortgage with a 15-year repayment term, with an adjustable rate based on two-year Treasury note.	HOLC would be funded through the capital markets and the Treasury for purchasing old loans from banks in exchange for government bonds, and issuing new loans to homeowners.	Refinance.com will refinance eligible borrowers into FHA-insured loans. The Appreciating America Second Mortgage could, in some instances, be a modification of the existing

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	such as subordinate financing, to cover the difference between the balance and the FHA-insurable amount.	auctions or other bulk financing; also tasked with determining underwriting and related criteria for qualifying existing mortgages submitted. Plan depends on determination by Board that there is a feasible bulk refinance structure that provides an effective and efficient system for bulk loan refinancing. New loan eligible for securitization by Ginnie Mae.  Existing subordinate liens must be extinguished.	would require approval with the first lien holder.	property.		This second lien could be repaid at any time. Treasury would issue new two-year debt and roll over the debt until the loans are fully repaid.		loan held by the servicer in the various investor pools.
<b>New Loan Amount</b>	Applicable FHA loan limits for the area.	Principal reduced to 85 percent of newly appraised value of home. Borrower would get a fixed-rate FHA mortgage for 90 percent of newly appraised value. He / she would also receive a 10 percent equity stake in the home. Government takes other 5 percent stake.	Size of FHA-insured loan will be determined by -- 1) lesser of (a) the amount borrower can afford to repay, determined by current FHA affordability requirements; or (b) the amount the existing loan is purchased in auction (see Pay Off above); 2) the Board's discretion of standards to suit circumstance, upon notification of the Senate Banking, and House Housing and Urban Affairs Committees; and 3) threshold where FHA will not insure more than 90 percent (which may change prior to introduction of the bill) of the current value of the home.	Current fair market value.	Unknown.	20 percent of current mortgage. Feldstein suggests legislation could make the interest payments tax deductible.	Unknown.	The FHA mortgage principal amount will be fully supported by sufficient income and shall not exceed the applicable LTV limitations applicable to the particular borrower based on past mortgage payment history.
<b>New Loan Requirements</b>	<i>FHASecure</i> loan, which is a 30-year fixed rate mortgage, but with the expanded program allows an LTV ratios of 90	New FHA-Insured loans must: 1) be "properly underwritten" based on current appraised value of house and borrower's	30-year fixed rate loan where, not exceeding 90 percent (subject to change) of the property's current value. Secretary	The new loan will be a FHA-"guaranteed" loan; the borrower must satisfy its underwriting criteria. Limit DTI to 43 percent of	Refinanced loans would have fixed rates, be "affordable," be self amortizing, and have "standardized underwriting	Unknown.	Unknown.	First loan will be a FHA 30-year fixed rate loan. Second will be a Appreciating America mortgage, as described

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	percent for eligible borrowers.	documented income (HUD Secretary granted authority to set procedures and standards for document verification and underwriting); 2) extinguish all existing liens and meaningfully reduce borrower's mortgage debt service; 3) remain within applicable FHA loan limits; and 4) carry a fixed rate for the full term of the loan.  Borrower pays annual FHA insurance premium equal to 1.5 percent of loan amount.	shall establish a reasonable limitation on origination fees for these refinanced eligible mortgages and procedures to ensure that interest rates on such mortgages shall be commensurate with market interest rates on such types of loans.	gross monthly income.	criteria" that would include consideration of a borrower's ability to repay, and would be "underwritten by lenders to be eligible for securitization" by GSEs.			below in Shared Appreciation / Subordinate Liens.
<b>Shared Appreciation / Subordinate Liens</b>	Lenders will be encouraged to make "other arrangements," such as subordinate financing, to cover the existing loan balance and the FHA-insurable loan amount.	Specifies that the government will retain a second lien on the property. If the borrower sells the home or refinances the loan, the borrower must pay from any profits the higher of (1) a fee of three percent of the original FHA loan balance; or (2) a declining percentage of any profits (e.g., from 100 percent in year one to 20 percent in year five and zero thereafter). After year five, only the three percent exit fee will apply.	Borrower must share the newly created equity and future appreciation equally with FHA until the property is sold or the loan is refinanced. Homeowner's access to newly created equity will be phased-in over five-years.	Investors (or lender) would receive a non-interest bearing second mortgage that would be used as a negative amortization certificate that could be publicly traded.	Discounted home values would be held in a soft second lien, which would be recaptured by the program when the property is sold or refinanced assuming adequate equity growth and the property is held for at least five years.	Unknown.	Unknown.	Existing servicer will agree to hold a second mortgage with deferred monthly payments – the Refinance.com "Appreciating America Second Mortgage." This will accrue interest at 6 percent with payments deferred for five years after the loan is made. At the end of the later of five years or the year in which the S&P Case Shiller report confirms that home values in the borrower's area have increased by at least 15 percent from the date of the making of the second, the homeowner will be required to refinance the current mortgage. All appreciation in excess of the second mortgage balance including accrued interest shall belong to the homeowner. The entire risk of the second resides with the servicer. The

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								<p>amount to be repaid to the second's holder can never exceed the principal balance and accrued interest of the second.</p> <p>The homeowner will receive an amount equal to all capital improvements made to the property since the second closed, then the homeowners will receive 30 percent of the appreciation and the second mortgage holder will receive the lesser of 70 percent of the principal and accrued interest on the second.</p>
<b>Term of Program</b>	<i>FHA Secure</i> currently requires the loan application to be signed no later than December 31, 2008 to be eligible.	The program will run for two years, but the Secretary may extend it for six month intervals, not to exceed an aggregate of two years, by submitting a written explanation for an extension to Congress.	Program sunsets December 31, 2012. Any remaining funds and future collections from appreciating FHA-insured mortgages made under this program will be returned to the government.	Unknown.	Appears the program would expire after two years.	Unknown.	Unknown.	No termination date planned.
<b>Governance and Reporting</b>	No change; oversight from Congress and the Inspector General.	Refinance Program Oversight Board.  Secretary to submit semi-annual Report to Congress. HUD Inspector General to prepare an annual audit.	Program will be governed by a Board composed of the HUD Secretary, Treasury Secretary, and the Chair of the FDIC, which will oversee a program utilizing FHA Insurance.	Unknown.	Unknown.	Unknown.	Unknown.	Unknown.
<b>POTENTIAL WRITE-DOWN / IMPACT</b>								
<b>Treatment of Existing Loans</b>	Lenders would be responsible for the uninsured amount of the loan, either through a write-down or a subordinate loan.	Participating lenders must agree to a refinance deal that 1) allocates a five percent loss reserve to the FHA (an amount specifically established under the terms of the	Participating lenders must agree to the bulk refinance plan from the Board of the HOPE program, thus accepting loans at a discount.	Lenders would have to accept a negative amortization certificate that would be similar to a warrant, which could be publicly traded. The warrant would be paid	Lenders would have to accept selling loans at a discount to the HELP Now program. The refinanced loans would "have their initial principal balance adjusted to reflect the	The original loan would be partially paid off through a second lien.	Appears the government would purchase the loan for the full amount and issue a new loan to the borrower for an amount aligned with the current market.	Repayment of a portion of the original loan and modification and subordination of original loan as well as any original subordinate loans to reflect reduced

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		bill), and 2) brings the loan-to-value ratio on the new FHA loan down to no greater than 90 percent of the property's current appraised value.	Subordinate liens must be extinguished.  Prepayments penalties and fees related to default or delinquency shall be waived or forgiven.	through the proceeds of a sale (or potentially a refinance). Only funds in excess of the warrant would be paid to the borrower.	current appraised home values."			outstanding balance, shared appreciation features, and repayment features as described hereinabove. No write down of loans. Modification of mortgages under the Appreciating America plan is feasible now without any legislation under the ASF guidelines and has been deemed acceptable by FHA.
<b>Impact on Investor</b>	Appears investor would accept the short pay-off as payment in full.	Current mortgage paid off at discounted price. Principal reduced as low as 85 percent of the newly appraised value of the home, by insuring 90 percent of the current appraised value of the property and imposing an insurance premium not exceeding 5 percent of the new mortgage, paid through reduction of the debt on the original senior mortgage. Investor agrees to waive prepayment penalties and all "delinquency and default" fees.	Principal reduced as low as 87 percent of the newly appraised value of the home, by insuring 90 percent of the current appraised value of the property and imposing an insurance premium not exceeding 3 percent of new mortgage, paid through reduction of the debt on the original mortgage. Prepayment penalties and all "delinquency or default" fees waived.	Existing loan paid off at a discount. (See also "Treatment of Existing Loans" above).	Program purchases, at a discount, loans held in securitized pools. Discounted amount not specified.	Borrowers continue to pay existing mortgage, but immediately reduce mortgage by 20 percent (hence, a curtailment).	Original HOLC bought old mortgages from banks, which were traded for safe government bonds. Proposed HOLC appears to be similar to the NCRC and Senate Democrat plans. (See also "Treatment of Existing Loans" above).	Existing servicer will hold a second mortgage with deferred monthly payments. No financial concessions, write-down loans, short sales, or foreclosures. Investors have "reasonable opportunity to receive a return approaching 100 percent of their investment."
<b>RISK MITIGANTS</b>								
<b>Quality Assurance</b>	FHA may reject insurance for those mortgage applications where it appears that a loan officer or other mortgagee employee suggested that the homeowners could stop making their payments, refinance into a FHA insured mortgage, and keep, as cash, the amount of payments not made on time.	Contains "fraud prevention and oversight" provisions, such as requiring HUD to establish independent quality reviews for underwriter compliance, rates of delinquency, etc.	N.A.	Unknown.	N.A.	N.A.	Loans obtained by borrowers through misrepresentation are excluded. Fraud by lender "should be treated generously."	N.A.

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<b>MISCELLANEOUS</b>								
<b>Various Other Provisions</b>	The "expansion" announcement includes new risk-based premium adjustments to be used for all FHA loans.	Authorizes \$10 billion in loans and grants for the purchase and rehabilitation of vacant or foreclosed homes with the goal of occupying them as soon as possible. Funds distributed to states that submit to HUD Secretary.	HUD and OFHEO shall establish a foreclosure prevention goal for Fannie Mae and Freddie Mac where they would purchase loans at a discount and write down those mortgages. Mortgages would be written down using same criteria from FHA as loans eligible for FHA insurance. OFHEO would be given authority to require GSEs to raise capital commensurate with additional risk this goal poses.	N.A.	N.A.	N.A.	N.A.	N.A.
<b>IMPLEMENTATION</b>								
<b>Market Initiatives</b>	Voluntary program, as current <i>FHASecure</i> program is for lenders.	Voluntary program; up to servicers and lenders to decide whether to take the loss required to make the mortgage affordable.	Appears to be voluntary for servicers and lenders.	Provides a mechanism for investors to participate in the upside when the housing market recovers.	Private markets used to refinance loans.  Reliance on existing secondary institutions including Fannie, Freddie, and FHLBs.	Voluntary program.	Lenders able to sell their loans to the new organization.	Relies on participation of servicer who will hold second mortgage.
<b>Regulatory Solutions</b>	Expands existing guidelines for <i>FHASecure</i> .	N.A.	HUD and OFHEO would establish a foreclosure prevention goal for Fannie Mae and Freddie Mac. OFHEO would be given authority to require GSEs to raise capital commensurate with additional risk these goals pose.	N.A.	N.A.	N.A.	N.A.	Uses established FHA guidelines.
<b>Legislative</b>	No legislation required.	Requires legislation; would approve up to \$300 billion in new mortgage guarantees under the FHA, for bulk purchase facility to be activated by Treasury, FRB, and HUD.	Requires legislation; would approve new federal program, and authorize appropriations. Bill provides funds "as are necessary" for each fiscal year from 2009-2012.	No legislation required; thereby no cost to taxpayers unless FHA underwriting criteria is modified to ensure more borrowers qualify; then may necessitate a government subsidy for FHA.	Requires legislation; Congress would need to expand HUD authority.	Requires legislation; Congress would establish new government loan program with authority to make loans.	Requires legislation; Congress would appropriate initial cash infusion and authorize new government entity.	No legislation required. A shared appreciation mortgage is a common financial instrument; would allow Refinance.com plan to be implemented immediately.