

# Helping American Families Keep Their Homes

*President Bush Announces Private-Sector Plan To Help Struggling Homeowners, Calls On Congress To Join Administration In Acting*

Today, President Bush outlined steps the Administration is taking to help American homeowners and called on Congress to join him in delivering relief to homeowners in need. In August, President Bush announced measures to help many struggling homeowners, including directing Treasury Secretary Henry Paulson and Housing and Urban Development (HUD) Secretary Alphonso Jackson to work with lenders, loan servicers, mortgage counselors, and investors on an initiative to help struggling homeowners. Secretaries Paulson and Jackson responded by assembling a private-sector group called the HOPE NOW Alliance. HOPE NOW is an example of government bringing together members of the private sector to voluntarily address a national challenge – without taxpayer subsidies or government mandates. Today, the President announced that these efforts have yielded a promising new source of relief for American homeowners.

- **President Bush announced that representatives of HOPE NOW have developed a plan under which up to 1.2 million homeowners could be eligible for assistance.** Many individual homeowners feeling financial stress have "adjustable rate mortgages," which typically start with a lower interest rate and then reset to a higher rate after a few years. The HOPE NOW plan is designed to help subprime borrowers who can at least afford the current, starter rate on a subprime loan, but will not be able to make the higher payments once the interest rate goes up. HOPE NOW members have agreed on a set of new industry-wide standards to provide systematic relief to these borrowers in one of three ways:
  1. Refinancing an existing loan into a new private mortgage;
  2. Moving them into an *FHASecure* loan; or
  3. Freezing their current interest rates for five years.

## Since The President's Announcement In August Of Targeted Actions To Assist Homeowners, The Administration Has Moved Forward With Three Key Steps

1. **The President and his Administration have launched a new initiative at the Federal Housing Administration (FHA) called *FHASecure*.** *FHASecure* expands the FHA's ability to offer refinancing by giving it the flexibility to work with homeowners who have good credit histories but cannot afford their current payments. In just three months, the FHA has received over 120,000 refinancing applications and has already helped more than 35,000 people refinance. By the end of 2008, the FHA expects this program to help more than 300,000 families.
  - **The FHA is also on track to start charging mortgage insurance premiums based on the individual risk of each loan, using traditional underwriting standards.** Risk-based pricing will expand access and enable FHA to help even more low-to-moderate income families who could not otherwise qualify for prime-rate financing.
2. **Secretaries Paulson and Jackson have assembled the private-sector HOPE NOW alliance.** This morning, representatives of HOPE NOW briefed the President on the plan they have developed. In addition:
  - **HOPE NOW recently mailed hundreds of thousands of letters to borrowers falling behind on their payments.** In the past, some lenders and mortgage servicers may not have contacted borrowers until after their loans were delinquent. The Alliance is trying to reach families early, before their mortgage problem becomes overwhelming.
  - **HOPE NOW has supported a toll-free hotline, 1-888-995-HOPE, which is available 24-hours a day to provide mortgage counseling in multiple languages.**
3. **The Federal government is taking several regulatory actions to make the mortgage industry more transparent, reliable, and fair.** Later this month, the Federal Reserve intends to announce stronger lending standards that will help protect borrowers. In addition, HUD and the Federal banking regulators are each taking steps to improve disclosure requirements so that homeowners can be confident they are receiving complete, accurate, and understandable information about their mortgages.

**If Members Of Congress Are Serious About Responding To The Challenges In The Housing Market, They Can Start With Several Steps Of Their Own**

1. **Congress needs to pass legislation to modernize the FHA.** In April 2006, President Bush first sent Congress an FHA modernization bill that would increase access to FHA-insured loans by lowering downpayment requirements, allowing the FHA to insure bigger mortgages in high-cost states, and expanding FHA's authority to price insurance fairly, with risk based premiums. The House passed the bill with more than 400 votes last year. This year, the House passed it again, yet the Senate has not acted.
  - **The liquidity and stability that FHA provides the market are needed now more than ever, and the President urges the Senate to move as quickly as possible.** This bill could allow the FHA to help 250,000 additional families by the end of 2008.
2. **Congress needs to temporarily reform the tax code to help homeowners refinance during this time of housing market stress.** Under current law, if the value of your house declines and your bank forgives a portion of your mortgage, the tax code treats the amount forgiven as taxable income. The House recently passed this tax relief with bipartisan support, and the Senate should pass relief as soon as possible.
  - **The Administration has also proposed allowing cities and States to issue tax-exempt mortgage bonds to refinance existing loans, and the President calls on Congress to approve this temporary measure quickly.** Under current law, cities and states can issue tax-exempt bonds to finance new mortgages for first-time homebuyers, and this measure would make it easier for State housing authorities to help troubled borrowers.
3. **Congress needs to pass funding to support mortgage counseling.** Non-profit groups like NeighborWorks provide an essential service by helping homeowners find affordable mortgage solutions and prevent foreclosures. The President's FY 2008 Budget requests \$120 million for NeighborWorks and another \$50 million for HUD's mortgage counseling program. Congress has had these requests since early February, and it needs to stop delaying and get this funding to the President's desk.
4. **Congress needs to pass legislation to reform Government Sponsored Enterprises (GSEs) like Freddie Mac and Fannie Mae.** GSEs provide liquidity to the mortgage market that benefits millions of homeowners, and it is vital that they operate safely and soundly. The President has called on Congress to pass legislation that strengthens independent regulation of the GSEs and ensures they focus on their important housing mission. The GSE reform bill passed by the House earlier this year is a good start, and the Senate needs to pass legislation soon.