



# NEWS

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Contact: Daris Meeks  
(202) 408-2576  
MeeksD@FHFB.gov

1625 Eye Street, N.W., Washington, D.C. 20006

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## **Federal Housing Finance Board Approves A Proposed Rule Authorizing the Federal Home Loan Banks to Establish Set-Aside Programs For Refinancing Subprime Mortgage Loans**

The Board of Directors of the Federal Housing Finance Board (Finance Board) today voted to issue for public comment a [proposed rule](#) to authorize the Federal Home Loan Banks (Banks) to establish Affordable Housing Program (AHP) homeownership set-aside programs for the purpose of refinancing or restructuring low- or moderate-income households' nontraditional or subprime mortgage loans.

Currently, each Bank is required to have an AHP that enables the Bank's members to finance homeownership by households with incomes at or below 80 percent of the area median income, and to finance the purchase, construction or rehabilitation of rental projects in which at least 20 percent of the units will be occupied by and affordable for households earning 50 percent or less of the area median income.

Pursuant to the current Finance Board regulations, the AHP homeownership set-aside program allows a Bank to provide direct subsidy (a grant) to members to pay for down payment assistance, closing costs, and counseling costs in connection with a household's purchase of its primary residence, and for rehabilitation assistance in connection with a household's rehabilitation of an owner-occupied residence.

The proposed rule would temporarily add authority for the Banks to use AHP direct set-aside subsidy to refinance or restructure low- or moderate-income households' subprime or nontraditional mortgages held by Bank members or their affiliates. The new authority would expire on June 30, 2011. The requirements of the proposed rule are generally the same as those specifically authorized for the San Francisco Bank in [Board Resolution No. 2008-01](#) (Jan. 15, 2008). If the Banks were to use the maximum proposed refinancing set-aside authority in 2008, they could provide almost \$75 million to assist some 7,500 households facing possible loss of their homes (assuming an average subsidy of \$10,000 per household).

The Finance Board requests comments on a number of issues, including whether it is generally appropriate for the AHP to provide subsidies for refinancing or restructuring existing owner-occupied mortgage loans. The proposed rule will be published in the Federal Register and will be open for public comment for 60 days.

The Federal Housing Finance Board is a non-appropriated funds agency that assesses the Federal Home Loan Banks for the costs of its operations.

*The Federal Housing Finance Board is an independent agency in the executive branch that oversees the safety, soundness, and mission of the 12 regional Federal Home Loan Banks. The Banks are government-sponsored enterprises created in 1932 to provide low-cost funding for housing finance. They have more than 8,100 financial institutions as members, including commercial banks, savings and loans, insurance companies and federally insured credit unions. More information can be found at <http://www.FHFB.gov>*

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