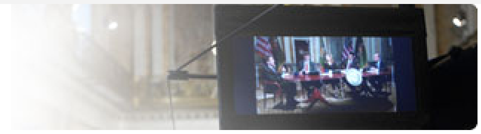
U.S. DEPARTMENT OF THE TREASURY

Press Center



Secretary Lew Unveils New Efforts to Assist Struggling and Prospective Homeowners, Provide More Affordable Options for Renters

6/26/2014

Announcement includes extending Making Home Affordable; Expanding access to credit by boosting private label securities market; New partnership to create affordable rental housing

WASHINGTON – U.S. Treasury Secretary Jacob J. Lew today announced Obama Administration efforts to continue helping struggling homeowners avoid foreclosure, increase access to affordable rental options and expand access to credit for borrowers. In remarks at the Making Home Affordable (MHA) Fifth Anniversary Summit, Secretary Lew specifically unveiled a new financing partnership between the Treasury Department and the Department of Housing and Urban Development (HUD) aimed at supporting the Federal Housing Administration's (FHA) multifamily mortgage risk-sharing program. In addition, the Secretary announced an extension of the MHA program for at least one year and a new effort to help jumpstart the Private Label Securities (PLS) market. Before speaking at the Summit, Secretary Lew met with homeowners and housing counselors at the Greater Washington Urban League, a non-profit organization that provides direct services and advocacy to more than 65,000 individuals each year.

With the new Treasury-HUD partnership, the Federal Financing Bank (FFB) will use its authority to finance FHA-insured mortgages that support the construction and preservation of rental housing. The first partnership – announced today – with the New York City Housing Development Corporation will help restore affordable rental housing damaged by Superstorm Sandy in Far Rockaway, Queens.

"Families and neighborhoods across the country continue to recover from the financial crisis, and we must not lose our resolve to help them, even as the economy continues to expand," said Secretary Lew. "From day one, the Obama Administration has worked to provide relief to struggling homeowners and stabilize hard-hit communities. Today's announcement continues that effort. These new actions will help provide more affordable options for renters, assist homeowners facing foreclosure or juggling bills to pay their mortgages and expand access to credit for prospective borrowers."

"Families have been especially hard hit during the rental housing crisis. Demand is soaring and prices are climbing," said Carol Galante, Federal Housing Administration Commissioner and Assistant Secretary for Housing, U.S. Department of Housing and Urban Development. "To help the many hard working families who cannot find affordable rental housing, we are partnering with the Treasury Department, to broaden our efforts to create and preserve safe, decent and affordable rental housing by allowing more Housing Finance Agencies access to the capital they need to build or maintain affordable multifamily apartment buildings."

In addition to the new Treasury-HUD partnership, the Secretary announced today that the Administration would be extending MHA at least until December 31, 2016, to allow the Administration to continue assisting homeowners facing foreclosure and those whose homes are underwater. To date, the MHA program has provided relief to homeowners across the country, including more than 1.3 million homeowners who have permanently modified their mortgages, saving a median of $540 a month in mortgage payments. The Treasury Department's housing assistance programs have also become a model for the broader housing sector, setting a new standard for the mortgage industry on how to restructure loans and help homeowners. More than 5 million homeowners have been helped by private lenders who have, in many cases, used a similar framework to the one created by MHA's Home Affordable Modification Program.

Finally, in an effort to help expand access to credit for qualified prospective homeowners, Secretary Lew announced a new Treasury-led effort to catalyze the PLS market.

Prior to the housing crisis, private label securities provided access to credit for many qualified Americans who did not meet Government Sponsored Enterprises (GSEs) and FHA eligibility requirements. Securitization allowed the risks associated with extending mortgage credit to be allocated among investors with different appetites for taking credit and interest rate risk.

Since the crisis, Treasury officials have been working with regulators to put in place reforms that address the flaws in the securitization and lending practices that played a role in the financial crisis. Nevertheless, many of the largest investors have not returned to the market, resulting in very little issuance and few mortgage financing options for borrowers aside from government-supported channels. To help determine what more can be done to encourage a well-functioning PLS market, the Treasury Department today is publishing a Request for

Comment in the Federal Register and plans to host a series of upcoming meetings with investors and securitizers to further explore ways to increase private lending.

The New Treasury-HUD Partnership

Under the new partnership with HUD, the FFB will provide financing for multifamily loans insured under FHA's risk sharing programs. The new partnership between the Treasury Department and HUD will help create and preserve more decent rental housing by significantly reducing the interest rate for affordable multi-family apartment buildings compared to the cost of tax-exempt bonds under current market conditions.

The New York City Housing Development Corporation (NYC-HDC) has worked extensively with HUD/FHA Risk Sharing, Treasury's New Issue Bond Program, tax-exempt bonds, and other multifamily housing financing structures. HUD through FHA would provide mortgage insurance pursuant to a risk sharing agreement with NYC-HDC and the FFB would fund NYC-HDC mortgage loans for multifamily projects.

The FFB is authorized to fund any obligation that is fully guaranteed by another Federal agency. The Risk Sharing program meets this requirement because FFB would purchase certificates or securities evidencing undivided beneficial ownership interests in 100 percent HUD/FHA-insured mortgages and HUD/FHA would cover 100% of the outstanding principal balance plus 100% of accrued interest in the event of a mortgage claim.

###