



# NEWS

Release: January 15, 2008  
FHFB-OB08-01

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

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

## Federal Housing Finance Board Approves Affordable Housing Program Waiver

The Board of Directors of the Federal Housing Finance Board (Finance Board) passed a [resolution](#) permitting the Federal Home Loan Bank of San Francisco to develop a pilot program to use a portion of its Affordable Housing Program (AHP) homeownership set-aside allocation to assist low- and moderate-income households that, as a result of a recent or scheduled increase in monthly mortgage payments, will no longer be able to afford their mortgages. The Bank's program, known as the Homeownership Preservation Subsidy (HPS), will replace the household's non-traditional or subprime mortgage with a fixed-rate, fully-amortizing, 30 year mortgage at a market or below-market interest rate.

To institute the program, the Bank requested that the Finance Board waive, through December 31, 2009, certain requirements of Section 951.6 of the Finance Board's regulations, which governs the AHP homeownership set-aside program. As a condition of the program, a Bank member would have to fully absorb the costs associated with foregoing scheduled interest rate adjustments and replacing the current loan with market rate financing. The AHP subsidy could be used to reduce the interest rate further, reduce the loan principal, and pay for reasonable, third-party closing costs. The members would be required to double the amount of any AHP assistance, thereby covering two-thirds of the eligible costs associated with the refinancing.

Because the resolution permitting the Bank's pilot program could have broader policy implications regarding the permissible uses of the AHP subsidy, the Finance Board will also initiate a formal rulemaking that will solicit public comment on whether the Finance Board should amend its rules to permit the Federal Home Loan Banks to use the AHP subsidy to refinance or restructure certain mortgage loans and, if so, under what circumstances and subject to what limitations.

The Federal Housing Finance Board is a non-appropriated 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>*