



NEWS

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FINANCE BOARD APPROVES PROPOSAL TO INCREASE HOME OWNERSHIP OPPORTUNITIES

Marking the occasion of National Homeownership Month, the Federal Housing Finance Board today approved a proposed rule that would help more American families become homeowners by increasing funds for homeownership set-asides in the Affordable Housing Program (AHP).

The proposal would enable a Federal Home Loan Bank to allocate annually the greater of \$4.5 million or 35 percent of its annual AHP contribution for its set-aside program. The increased funding authority will also help the FHLBanks combine the AHP subsidy with HUD homeownership initiatives to benefit first-time homebuyers.

“President Bush and HUD Secretary Martinez are committed to increasing the homeownership rate, especially for groups that lag behind, including minority and immigrant households, and that’s precisely who would benefit from this proposal,” said Finance Board Chairman John T. Korsmo. “The set-aside programs in the AHP are designed to help low and moderate income families buy a home by providing downpayment and closing assistance, which they can complement with aid from other federal programs.

Currently, the FHLBanks are authorized by the Finance Board’s regulations to allocate each year the greater of \$3 million or 25 percent of their AHP contribution for homeownership set-aside programs.

The proposed rule would allow each FHLBank to set aside an additional amount of up to the greater of \$1.5 million or 10 percent of its annual AHP amount, specifically for first-time homebuyers. This increased funding authority would enable the FHLBanks to provide up to an additional \$24 million this year. With grants to families ranging from \$5,000 to \$10,000, this initiative could provide assistance to 2,400 to 4,800 additional households.

HUD programs that can be used in tandem with the AHP set-aside include the Self-Help Homeownership Opportunity Program (SHOP), Section 8 Homeownership Program vouchers, and the HOME American Dream Downpayment Fund. Also, FHLBanks can use all or part of their set-aside funds to supplement the savings of households that participate in the Family Self-Sufficiency (FSS) and Individual Development Account (IDA) savings programs.

HUD Secretary Mel Martinez, in a recent speech to FHLBank directors, noted: “The fact that we have a homeownership rate today of nearly 68 percent speaks to the success of the FHLBanks. However,

minorities are not sharing equally in the housing boom. Roughly 47 percent of Hispanics and 48 percent of African-Americans were homeowners in 2000, well below the U.S. average. We obviously have a long way to go. But because the President and I believe so firmly in the transforming power of homeownership, we are committed to closing the gap.”

The AHP provides direct subsidies or loans at subsidized rates to FHLBank System members to finance the purchase, construction, or rehabilitation of affordable housing units. The FHLBank System contributes the greater of 10 percent of net earnings or \$100 million per year to the program. The FHLBanks’ total AHP contribution for 2002 is \$240 million.

The proposed rule will have a 60-day public comment period upon publication in the Federal Register.