

# Standard Fed tapped for program

Standard Federal Bank, headquartered in Troy, will participate in a new program to help low- and moderate-income Americans qualify to buy a home, according to GE Capital Mortgage Insurance Companies (GE Capital).

Under the Community Home Buyer's Program, GE Capital will identify a limited group of lenders across the country, provide them with a home buyer education program, accept more flexible qualification criteria than mortgage insurers currently accept, and insure low- and moderate-income loans so that lenders can sell them to the National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

While GE Capital expects some 50 lenders eventually to participate in the program, Standard Federal is among a core group of six lenders who have signed on. Standard Federal officials expect to offer the home buyer education program to hundreds of prospective mortgage applicants in the Detroit metropolitan area and to make as many loans as possible to training program participants over the next year.

"We are committed to meeting the home mortgage credit needs of borrowers in all of the communities that we serve. By participating in the initial phase of GE Capital's new program in our market area, we expect to be able to do an even better job of helping low- and moderate-income borrowers achieve their goal of home ownership," said Thomas R. Ricketts, chairman and president of Standard Federal.



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GE CAPITAL has committed to insure approximately \$500 million in loans during the next 12 months, enough money to finance the purchase of approximately 10,000 resi-

dences (based on average home sales price of \$75,000).

Mortgage insurance protects the lender against buyer default, allowing borrowers with limited savings and income to qualify for a mortgage.

"This new program is a major breakthrough in making home ownership real for a large, underserved segment of Americans," said Jeff Marsh, central regional vice president for GE Capital. "By combining a home buyer education program with flexible qualifying guidelines, GE hopes to put more people in homes — and keep them there."

Home buyer education is the foundation of the Community Home Buyer's Program. With assistance from Housing Opportunities Inc., a non-profit organization with 14 years experience in training new home buyers, GE Capital devised a 12-hour course for lenders to offer prospective low-income loan applicants.

The course explains the roles of various participants in the mortgage application and approval process, such as the real estate agent, lender, appraiser and mortgage insurer. It also teaches about the savings and income needed to buy a home, obtaining a credit report, selecting a quality home, the value of a pre-purchase home inspection and the tax benefits of home ownership.

By requiring — and in some cases subsidizing — a professional home inspection under the new program, GE Capital hopes to help borrowers avoid one of the most common reasons for default: a breakdown of a

major component a year or two after closing. For a household with limited savings and without access to installment credit, a broken furnace or a leaking roof could make the difference between keeping or losing the home.

The program's underwriting guideline adjustments allow borrowers to dedicate a higher portion of their incomes (33 percent) to their monthly housing expenses than the ratio accepted for conventional financing (28 percent). Under the Community Home Buyer's Program, GE Capital also foregoes the traditional cash reserve requirement of two monthly mortgage payments; accepts the borrower's payment record for expenses such as rent and utilities to establish a credit history; permits the use of subsidized second mortgages to reduce housing costs; and reduces total closing costs for the buyer.

Once local lending institutions originate loans under the GE Capital program, they can sell the loans to Fannie Mae or Freddie Mac, the nation's largest buyers of home mortgages. These federally chartered institutions package the loans into securities for sale to investors or hold them in portfolio. This constantly replenishes the supply of local funds for home financing.

Standard Federal, with assets of over \$10 billion, operates 101 branches throughout Michigan and Indiana and has been the leading home mortgage lender in the Detroit metropolitan area for 13 of the last 15 years.

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