

Press Releases

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OTS 98-95 - OTS Joins Rural Home Loan Group to Help Expand Credit Availability

Office of Thrift Supervision

NEWS

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OTS Joins Rural Home Loan Group to Help Expand Credit Availability

WASHINGTON, D.C., Dec. 11, 1998 - Reflecting a goal of helping thrift institutions increase their lending to expand homeownership in rural America, The Office of Thrift Supervision (OTS) said today it has become a member of the Rural Home Loan Partnership, a national partnership dedicated to providing greater access to private credit by eligible lower income borrowers in rural areas.

"Joining this group is an important step in enhancing our ability to help thrift institutions find ways to expand their lending in rural areas, particularly for lower income families and to do so profitably," said OTS Director Ellen Seidman.

The partnership is an initiative of the U.S. Department of Agriculture's Rural Housing Services, rural Local Initiatives Support Corporation (LISC) and the Federal Home Loan Bank System. The Neighborhood Reinvestment Corporation and Rural Alliance affiliates also have recently joined the partnership.

The RHLP is currently working with approximately 40 local partnerships to provide joint funding for housing in rural areas. Each local partnership includes a financial institution, community based organization and local RHS office partner.

Rural Housing Services provides a low-cost, fixed rate subordinated mortgage to cover up to 60 percent of the cost of a home, which can take the form of new home construction or home purchase. These funds are available through a national set-aside of funds under the RHS leverage loan program.

The local financial institution typically provides a first mortgage, using its funds or funds obtained through the FHLB System's Community Investment Program. The community based organization (CBO) often assists with homebuyer education, counseling and loan packaging. In addition, the CBO often contributes funds obtained through the Bank System's affordable housing program or Housing and Urban Development's Community Development block grant or HOME programs to reduce the first mortgage amount or assist with other costs, such as rehab costs.

"We know that many rural financial institutions are small and not well equipped to meet all the varying demands for credit in their markets," Ms. Seidman acknowledged. "But therein lies the importance of partnering, which facilitates leveraging resources and enabling these institutions to increase their impact in their communities."

In 1999, OTS will be working with the Rural Home Loan Partnership to provide training for rural financial institutions and community-based organizations about the partnership itself, the Rural Housing Services leverage loan and loan guarantee programs and ways to set up a successful collaborative funding arrangement.

Home ownership in American has been growing, and reached a new high recently of 66.8 percent of families. "That's good, but there remain major housing needs in such areas as rural communities, and participation in partnerships is a good way for thrifts and other financial institutions to fill those needs," Ms. Seidman said.

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS' mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents call PubliFax at 202/906-5660, or visit the OTS web page at www.ots.treas.gov.