

Financial services companies launch mortgage pilot program in Washington DC

WASHINGTON (Thomson Financial) - Several financial services companies today announced a new pilot program in Washington DC that will allow as much as 200 mln usd in new mortgage originations for borrowers with little or no credit history.

Under the pilot program, lenders will examine rent, utilities, child care and other payment histories as a basis for determining whether potential borrowers with no credit history should qualify for a home loan.

CitiMortgage, a division of Citigroup, will service the loans, all of which will be 30-year fixed rate loans and will feature interest rates that are 'much lower than what is normally associated with nonprime loans'. State Farm will provide 100 mln usd for loan origination, and the program estimates that as much as 200 mln usd in new mortgages could be created if the loans are bought by Citi and Fannie Mae, which can buy and hold mortgages as investments.

The Mortgage Guaranty Insurance Corporation and PMI Mortgage Insurance Company are providing mortgage insurance under the pilot program, and are part of the R-Home Alliance.

Partners under the program say the project in Washington could help 2,000 borrowers successfully apply for mortgages, and that 6.8 mln people across the US could be helped by similar programs that could be developed later.

Jackson Cosey of Citi's Consumer Lending Group said today that the program should allow new mortgage originations for underserved people with limited credit histories.

'This is an important market that deserves the opportunity to have access to stable, fixed-rate mortgages,' he said. 'As with everything we do, this program will have very high standards and is intended for individuals with proven track records of payment for other types of obligations.'

The program is being launched as upwards of 2 million borrowers in the US are expected to have trouble making their mortgage payments as interest rates on their adjustable rate mortgages rise. The summer credit crunch was widely attributed to the origination of too many loans to borrowers who were unlikely to be able to repay those loans, which were then securitized and traded in the market with little understanding of the risks associated with the loans and the securitized products.

pete.kasperowicz@thomson.com [pik/wash/ajb](#)

Copyright Thomson Financial News Limited 2007. All rights reserved. The copying, republication or redistribution of Thomson Financial News Content, including by framing or similar means, is expressly prohibited without the prior written consent of Thomson Financial News.