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News Release

A new loan class established at the Housing Financing Fund

A regulation regarding a new loan class has been approved by the Minister of Social Affairs and Social Security, authorizing the Housing Financing Fund (HFF) to grant loans to financial institutions in order to temporarily refinance mortgage loans previously issued by these institutions.

The Minister of Social Affairs and Social Security has signed a regulation amending Regulation No. 458/1999 of loan classes offered by the HFF. The regulation concerns the establishment of a new loan class at HFF, authorizing HFF to grant loans to banks, savings banks and other credit institutions. More specifically, HFF will provide HFF bonds to these financial institutions with the purpose of temporarily refinancing housing mortgages in Iceland, previously granted by these institutions. These loans will be granted to financial institutions provided the objective is to ensure security and availability of mortgage loans in the housing market as well as to enhance normal price formation in the market. The foundation of this regulation is in accordance with a statement issued by the government on June 19, 2008, introducing measures to be taken in the housing and finance market. Up to ISK 30 billion will be issued in this loan class in the form of HFF bonds, exclusively used as collateral in transactions with the Central Bank of Iceland (CBI).

Furthermore, the Minister of Social Affairs will propose a bill to Parliament at the beginning of September 2008, suggesting HFF be granted the authority to finance and purchase new housing loans, issued by other financial institutions). The Ministry of Social Affairs and the Housing Financing Fund in cooperation with the Financial Supervisory Authority and the CBI base this decision on a careful examination. Should the bill become a law, it is estimated that up to ISK 30 billion will be issued for this purpose.

It should be noted that the above mentioned law amendments scheduled to take place in September are independent of the comprehensive revision on housing affairs, also on the agenda at the upcoming Congress, starting in October.