

Revised Forecast for the Housing Financing Fund, 2008

(HFF Bonds issuance, lending and payments)

The Housing Financing Fund has revised and raised its forecast on lending, HFF Bonds issuance and payments in a follow up of the announcement of the Government of Iceland from June 19th on special housing policy action. The main reasons for raising the forecast are: the elimination of fire insurance valuation as a reference point for the HFF's loan amounts, raised loan maximum to 20 m ISK and increase in concessions for general loans for rental housing of 5 billions ISK.

In the announcement from the Government it said that two new loan classes would be created for refinancing mortgage loans provided by financial undertakings. One class would be for refinancing of loans already provided by financial undertakings by providing a short term HFF Bond against collateral from the financial undertakings in the form of underlying mortgage pool. The condition of the bond is that it shall exclusively be used as collateral in transactions with the Central Bank of Iceland. Up to ISK 30 billions will be issued in this loan class for financial undertakings. This is not a primary sale of HFF Bonds so this does not affect the revised 2008 forecast. The second loan class concerns financing new housing mortgages issued by financial undertakings and it is estimated that up to 30 billions ISK will be available for financial undertakings for this class. Rules and conditions for this class are expected to be ready in the fourth quarter and therefore do not affect this forecast.

Revised forecast of HFF Bonds for 2008 for the financing of new mortgages is 47 – 51 billions which is an increase of 10 – 12 billions from earlier forecast.

HFF forecasts that new lending by the fund will be between 60 – 64 billions in 2008 which is an increase of 9 – 11 billions from earlier forecast.

HFF Bond Auctions and Lending

Forecast 2008	1.Q	2.Q	3.Q	4.Q	Total 2008
HFF Bond Issuance	0	16	17 - 19	14 - 16	47 - 51
HFF new lending	11	14	20 - 18	17 - 19	60 - 64

Figures are in ISK billions.

As exact figures regarding HFF Bonds issuance can not be published, some figures from auctions may be transferred between quarters depending on market conditions.

HFF expects repayments to its creditors will increase by 1 billion in the third quarter and by 1 billion in the fourth quarter and will be in the region of 49 – 53 billions in 2008 where the biggest part will be HFF Bond payments.

HFF Payments

Forecast 2008	1.Q	2.Q	3.Q	4.Q	Total 2008
HFF payments	11 - 13	11 - 13	11 - 13	13 - 15	49 - 53

Figures are in ISK billions.

This forecast reflects present conditions on the property and mortgage market. Should market conditions change, adjustments to the above forecast can be expected. The Housing Financing Fund reviews its forecast quarterly and more often if necessary.

