

# Ben Bernanke's 'Home Equity Insurance' Available Through EquityLock Financial

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On December 4, 2008, Federal Reserve Chairman Ben Bernanke suggested that the private sector provide for 'home equity insurance' to help protect individual homeowners against market declines. EquityLock Financial, Inc. provides such coverage with its flagship Home Price Protection™ product.

Mr. Bernanke's remarks came during a speech discussing the foreclosure crisis. In response to reporters' questions about a federal insurance program, Mr. Bernanke suggested that such an interesting solution is more appropriate for the private sector. (see <http://www.cnbc.com/id/15840232?video=950576830> at 4:25-8:30).

EquityLock's Home Price Protection™ contracts pay homeowners if they sell their home when the market has dropped, in an amount equal to the percentage downturn of their local market. For example, if an EquityLock customer purchases a home for \$300,000 and his local market has declined by 5% by the time he sells his home, EquityLock will pay the customer \$15,000 at the time of the sale. This payment is made regardless of the customer's sale price and regardless of whether the customer sold his home for more or less than he paid for it.

The product is different from that suggested by Mr. Bernanke in that it is not 'insurance' that indemnifies a homeowner for any loss. Rather, the product is a 'hedge' that pays only when a homeowner moves and the surrounding market declines, as reflected in government published indices. This payment is made regardless of whether or not the homeowner suffers a loss. This eliminates the 'moral hazard' component of traditional insurance and provides coverage only for the pure market risk as reflected in the index.

EquityLock's contracts are currently available in select markets and are available as a sponsored product through home builders and major real estate brokerages. David Camp, head of marketing, notes that a primary objective of the product is to make builders and sellers of real estate stand by the products they promote. "We hope that the days of 'buyer beware' are soon over in the real estate industry. Unlike most industries where promoters must stand by their products, builders and sellers traditionally have no responsibility as to the true value of the real estate they are promoting. Home Price Protection helps buyers understand that the promoter stands by his product", Camp noted.

The Company maintains a proprietary market forecasting and reserves policy as well as third party facultative insurance contracts, hedging protocols, and the opportunity to tap the institutional real estate derivatives market, to reduce its risk in order to satisfy obligations under Home Price Protection™ contracts even if 100% of the markets in which it does business decline.

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