

Making the Dream of Homeownership a Reality



CCDO National Conference

August 20, 2007

What is FHA?



- Federal Housing Administration (FHA) is a federally sponsored mortgage insurance company within the US Department of Housing and Urban Development (HUD)
- Mortgage insurance premiums paid by borrowers create a fund that provides a guarantee of repayment to lenders to originate FHA insured loans.
- The guarantee allows lenders to make loans to higher risk borrowers

FHA is a Safe Loan Product

- No fads or “creative” products
- Credit based on borrower’s ability to pay - not equity or home price appreciation
- Comprehensive loss mitigation

FHA Borrowers

- Owner occupants
- First time home buyers
- Minority homebuyers
- Seniors
- Limited or impaired credit
 - ✓ 65% of FHA borrowers have FICO scores above 620



FHA

is the largest seller of residential
real estate in the nation

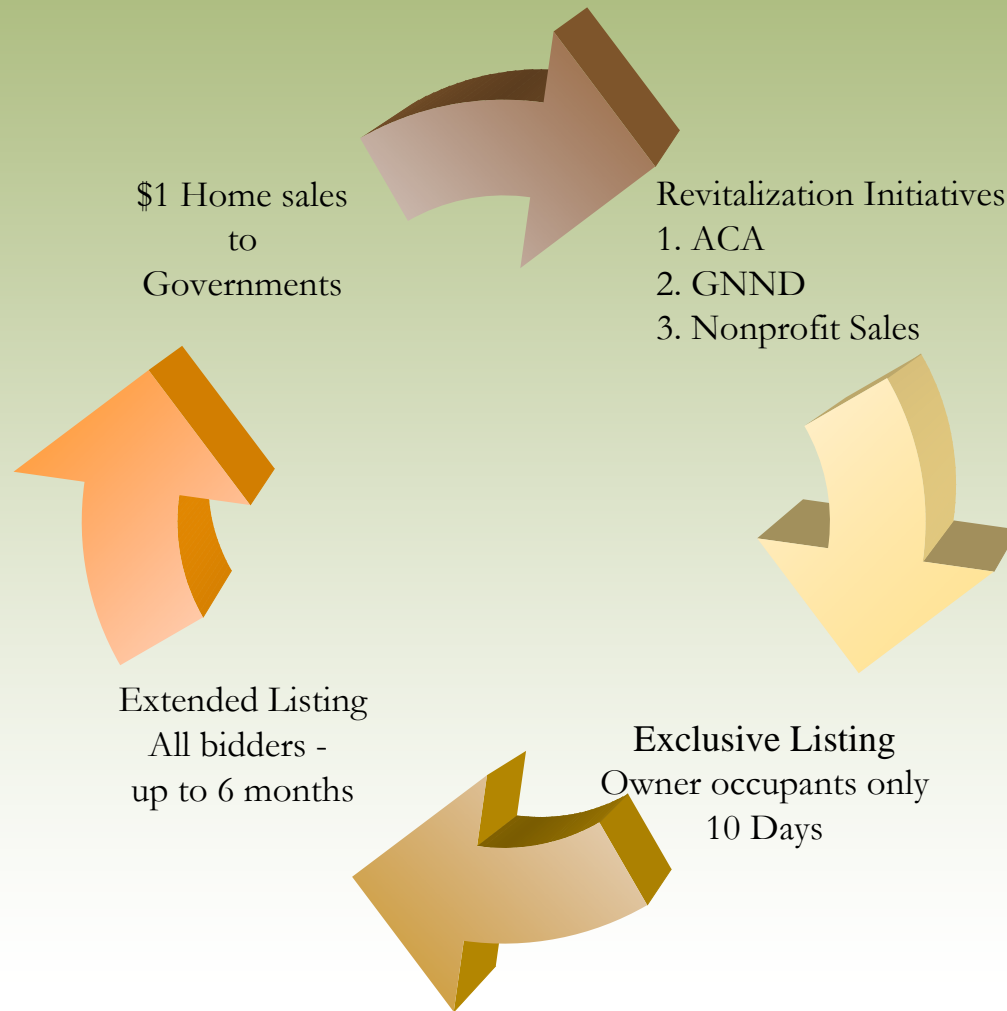
51,000 Homes sold in FY 2006

78,000 Average Sales Price

Community Revitalization Initiatives

- HUD sells REO properties at a discount to support local revitalization efforts
 - ✓ Asset Control Areas (ACA)
 - ✓ Good Neighbor Next Door (GNND)
 - ✓ Discount sales to nonprofit housing developers
 - ✓ Dollar Home Sales to Local Governments

Marketing Priority



Asset Control Areas

- Public / Private Partnership
- HUD provides the real estate at a substantial discount
- ACA Participants provide the capital and operational capability

Good Neighbor Next Door

➤ HUD REO homes are sold for 50% of As Is appraised value to:

- ✓ Law enforcement officers,
- ✓ Pre-K through 12 teachers,
- ✓ Fire fighters, and
- ✓ Emergency medical technicians



➤ Buyers execute a subordinate note for the amount of the discount. The note is forgiven if the buyer lives in the property for three years.

Nonprofit Sales

➤ 216 HUD approved nonprofit housing providers nationwide may buy



- ✓ Uninsurable properties in a revitalization area at 30% of the As Is appraised value.
- ✓ **Any** REO property in our inventory at a 10% discount

Competitive Sales

- 90% of FHA REO are sold through competitive sales.
- Finance REO with FHA insured loans
 - ✓ \$100 down
 - ✓ Up to 3% in buyer closing costs including origination fee
 - ✓ Free appraisal



\$1 Home Sales



- **Only** offered to local governments
- Government may resell to non-profit or use for other public benefit
- Only properties that have been marketed for 6 months without sale
- Not limited to revitalization areas

Property Management and Marketing

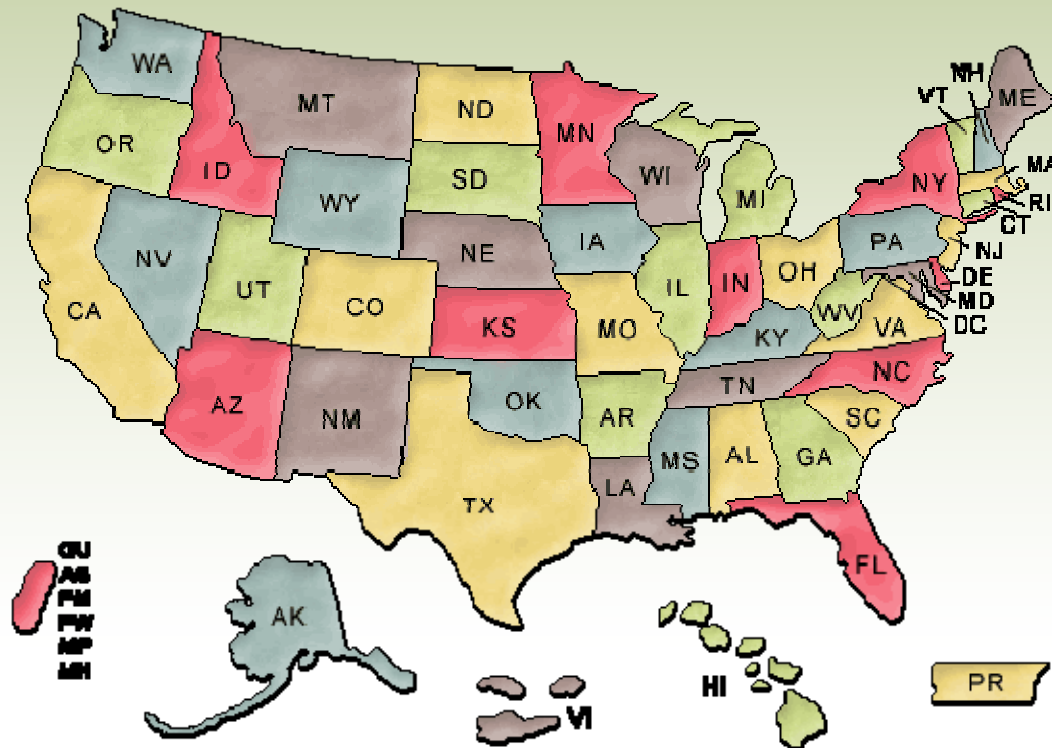
- Property management and sale outsourced to private sector contractors
- 22 Geographic Contract Areas
<http://www.hud.gov/offices/hsg/sfh/reo/mm/mmmmap.pdf>
- Primary contact is through M&M Contractor
- Compliance monitored by Homeownership Centers
 - ✓ Denver
 - ✓ Philadelphia
 - ✓ Atlanta
 - ✓ Santa Ana

HOMESALES.gov

Homes for Sale by the U.S. Government

Homes for Sale by the U. S. Government The *HomeSales.gov* web site provides current information about single family homes for sale by the U.S. Federal Government. These previously owned homes are for sale by public auction or other method depending on the property. Anyone can buy a home for sale by the U.S. Government, but you must work with a real estate agent, broker or servicing representative to submit an offer or bid.

Currently the U.S. Departments of Housing and Urban Development (HUD), Agriculture (USDA/Rural Development), and Veterans Affairs (VA) have homes listed on this site. [Learn how to buy them.](#)



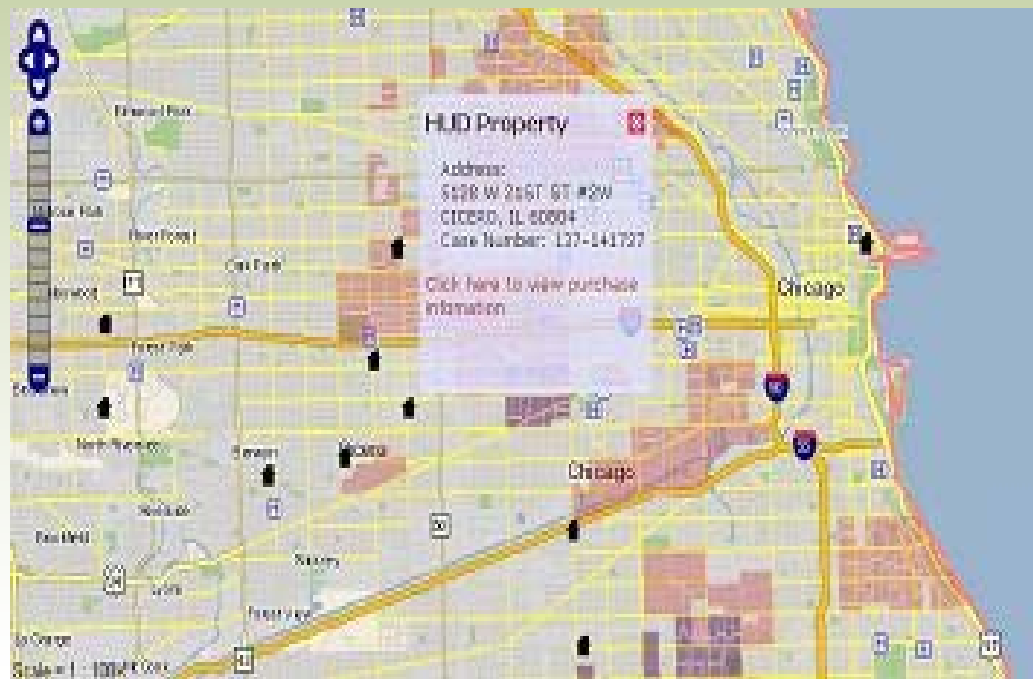
Revitalization Areas

➤ Discounted sales* are **only** offered in designated revitalization areas characterized by:

✓ Low homeownership

✓ Low income

✓ High rates of default and foreclosure



* Except \$1 Homes

Revite Area Designation - Be part of the process

- Identify a target area
- Document the demographics
- Identify program participants
- Send a written request to the HOC



HUD Nonprofit Approval - ML 2002-01

➤ Application package submitted to HOC

- ✓ 501(c)(3)
- ✓ Articles of Incorporation
- ✓ Identity of board, business partners
- ✓ Administrative capacity
- ✓ 2 years housing development experience
- ✓ Source of funds
- ✓ Geographic area of interest

ACA Program Overview

- A contract between HUD and a City Government often working in conjunction with a nonprofit housing developer.
- ACA participants agree to buy all REO properties acquired within a designated revitalization area.
- Properties are discounted on a sliding scale from 50% of appraised value down to \$1.
- ACA participants must rehabilitate the properties and resell them to income eligible home buyers within a set time period.

ACA Considerations

- Local HUD REO volume
- Willingness and flexibility of local government
- Operational capacity of nonprofit
- Financial capacity
 - ✓ Acquisition/construction financing
 - ✓ Gap Subsidy
- Housing Demand



Current ACA Cities

✓ Los Angeles

✓ Reading

✓ Rochester



✓ Ogden

✓ Cleveland

✓ Chicago

✓ Salt Lake

✓ Dallas

✓ New York

✓ Camden

✓ Baltimore

Partnering for Community Revitalization

- Recommend markets for revitalization area designation.
- Obtain nonprofit designation to purchase HUD properties.
- Create an ACA.
- Work with local government to purchase \$1 homes.

Preserving Homeownership



FHA Loss Mitigation

- Prevents foreclosure
- Maximizes homeownership retention
- Preserves the FHA insurance funds
- Delegates decision making to lenders
- Combination of incentives and aggressive monitoring ensure compliance

Home Retention Options

➤ Special Forbearance

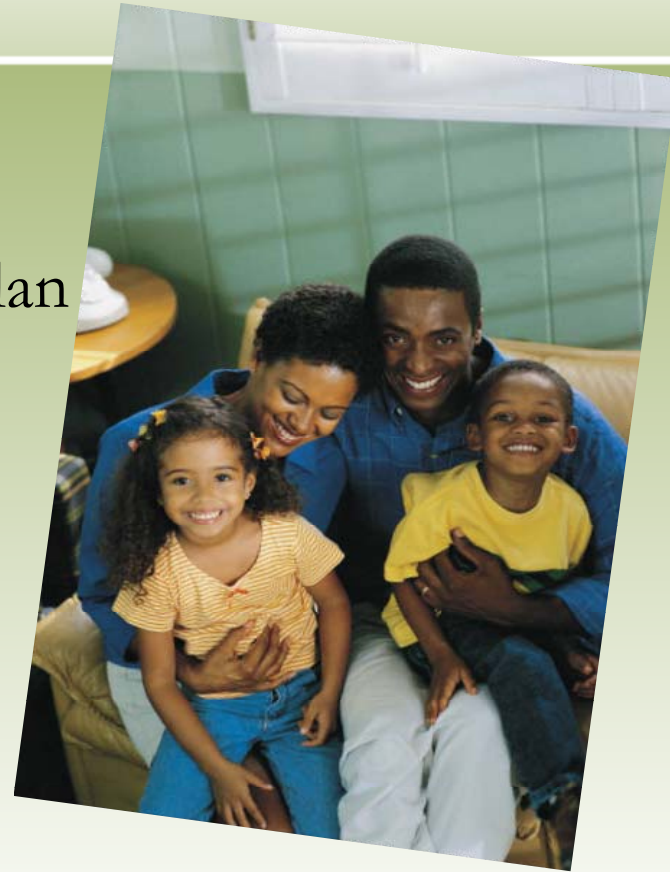
- ✓ No limit on term of repayment plan
- ✓ Reduced or suspended payments

➤ Loan Modification

- ✓ Permanent change to rate, principal or amortization

➤ Partial Claim

- ✓ Interest free loan for up to 12 months PITI
- ✓ No payments until 1st mortgage is paid off



Disposition Options



➤ Preforeclosure Sale

- ✓ Private sale of the property for less than full debt.

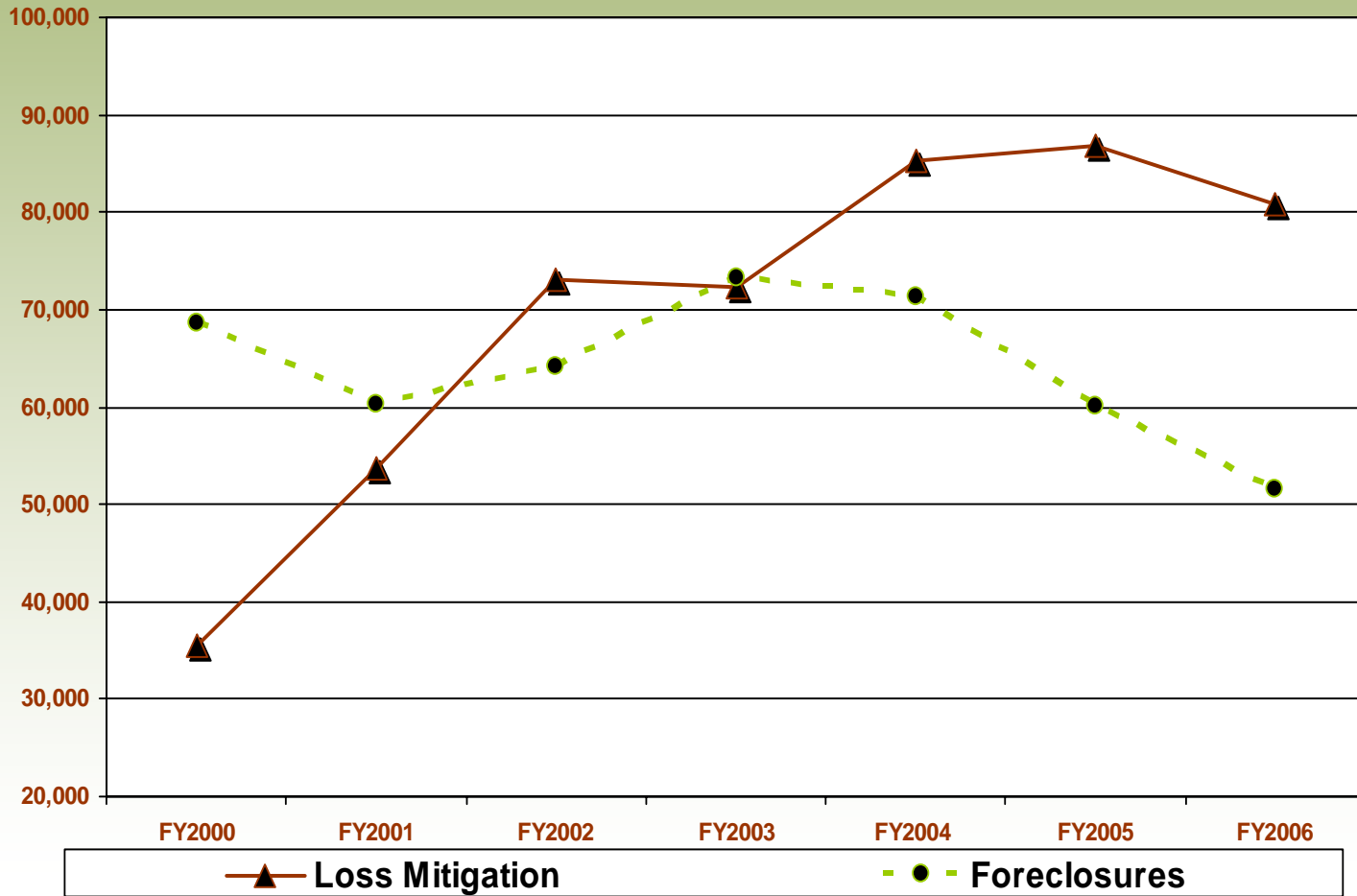
➤ Deed in Lieu of Foreclosure

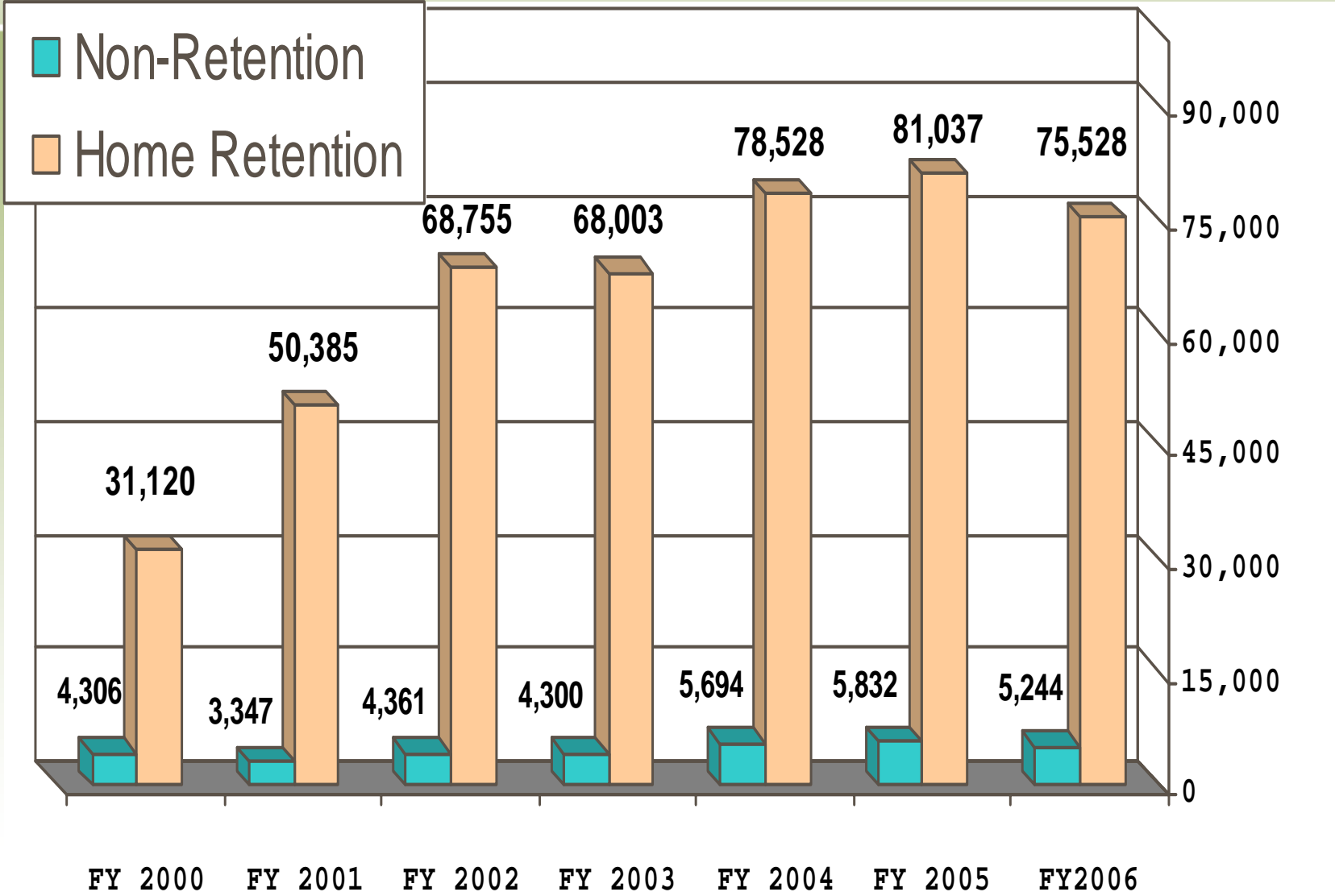
- ✓ Voluntary giving of the property to the lender in exchange for a full release from the debt.

Loss Mitigation Claims – FY 2003 - 2007

FY	L.M. Retention	L.M. Non-Retention	Total L.M.	FC	Work Out Ratio
May 2007	56,726	2,963	59,689	33,280	64.20%
2006	75,528	5,244	80,607	53,097	60.01%
2005	81,037	5,832	86,869	60,134	59.09%
2004	78,528	5,694	84,222	71,273	54.16%
2003	68,003	4,300	72,303	73,215	49.69%

Loss Mitigation vs Foreclosure FY 2000-2006





89% of home retention
claims successfully avoid
foreclosure*

*Less than 11% of loans with loss mitigation
claims terminate in foreclosure within 24 months

Funding Default Counseling

- \$41 Million in counseling grants in 2007
- Requested \$50 million in the 2008 budget

HUD's National Servicing Center

- Customer Service Help Desk

888-279-8685

- Policy Guidance

- Data

- Loss Mitigation Training



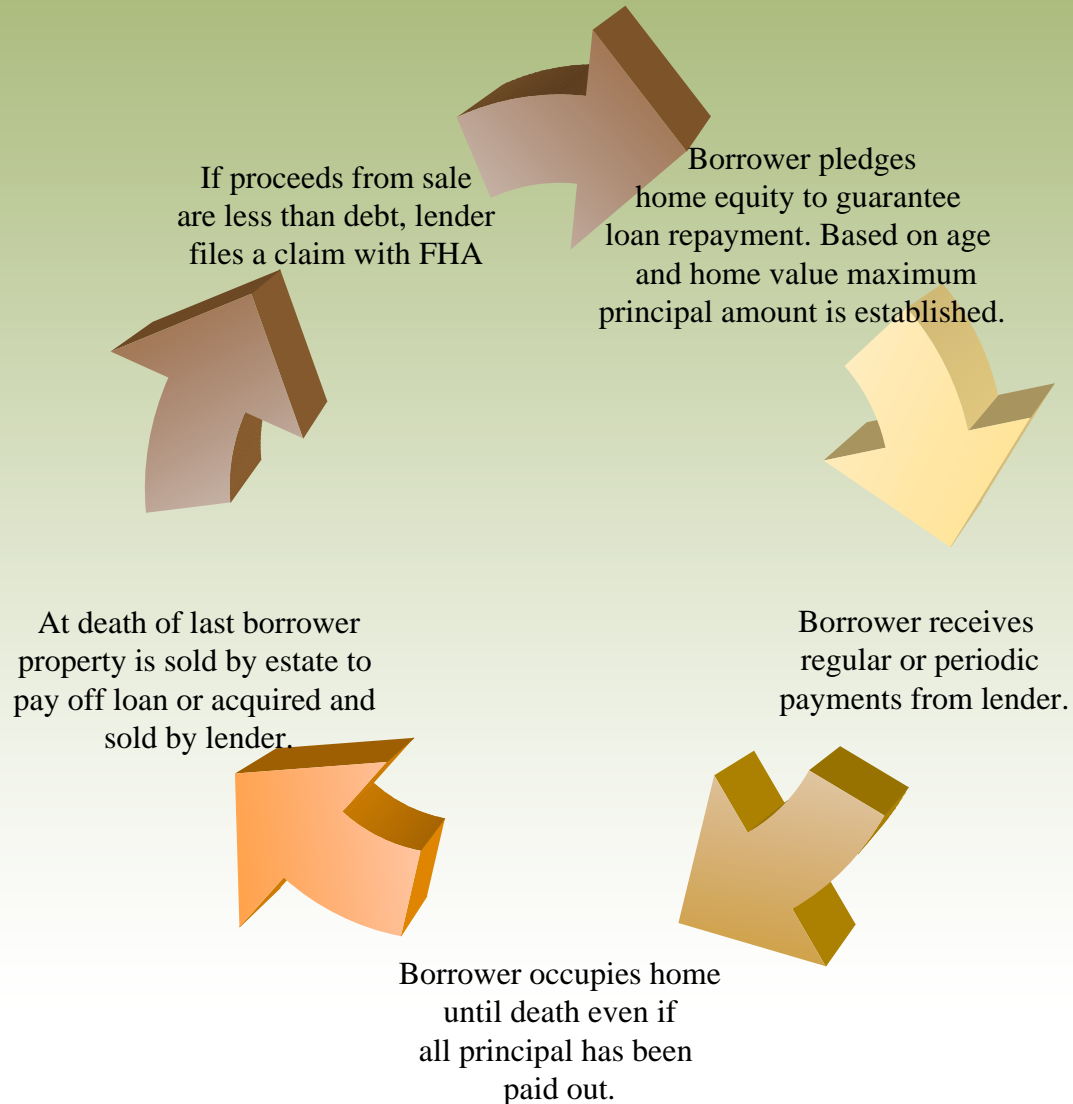
Preserving Homeownership for Seniors

Home Equity Conversion Mortgage (HECM) allows homeowners age 62 and older to convert the equity in their homes into tax-free income without having to



sell their home or take on a new monthly payment.

How HECMs Work



Types of Payments

- **Tenure** – equal monthly payments for life.
- **Term** – equal monthly payments for a fixed period of months.
- **Line of Credit** - unscheduled payments at borrower's request until the principal limit is reached.
- **Combined Term, Tenure, LOC**

HECM Eligibility

- All borrowers must be at least 62 years old.
- Primary residence.
- Property free and clear or debt must be paid with the HECM proceeds.
- No income, employment, medical or credit qualifying restrictions.



Uses of HECM Proceeds

- Fund retirement / supplement social security.
- Keep seniors in their homes and out of permanent care facilities.
- Pay for home modifications so seniors can age in place.
- Cover health-related expenses

Top HECM States

FHA Loans Since Inception

✓ California	69,314
✓ Florida	25,664
✓ New York	15,782
✓ Texas	13,821
✓ New Jersey	10,787
✓ Colorado	9,910
✓ Michigan	9,659

WWW.FHA.GOV

**New FHA website is a clearinghouse for
consumer and industry information**



FEDERAL HOUSING ADMINISTRATION

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **Resources for Homebuyers**
- **Get Educated!**
Find a Housing Counselor
Know Your Rights!
Avoid Predatory Lending
Settlement Protection Special Information Booklet
Help for Non-FHA Loans
Contact FHA Resource Center
- **Get Educated! - (Top)**
- FHA has video webcasts about home buying and knowing your rights
- **Find a Housing Counselor - (Top)**
- If you want advice on buying a home, renting, default, foreclosure, credit issues or reverse mortgages, HUD sponsors certain housing counseling agencies throughout the country who in turn give advice free or at low cost.
- Search online for a counseling agency near you, or call HUD's interactive voice response system at: (800) 569-4287.
- **Know Your Rights! - (Top)**
- Your home loan may be the largest and most important loan you get in your life. Be aware of your rights before you enter into any loan agreement.

FHA

- Financing Homeownership
- Preserving Homeownership
- Keeping Seniors in their Homes

