



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FISCAL YEAR 2013 PROGRAM AND BUDGET INITIATIVES
FORECLOSURE PREVENTION AND MITIGATION

In Fiscal Year 2013, HUD will reaffirm its commitment to supporting foreclosure prevention and mitigation, including funding of targeted assistance and broad-based economic development initiatives.

The state of the housing market plays a big role in shaping our well-being as individuals, the stability of our neighborhoods, and the strength of our national economy. That is why the downturn of the housing market—with high rates of foreclosure, increases in vacant properties, and plummeting home values—has been so devastating for families and communities alike. Although the largest factors contributing to this crisis were market driven, the American people have turned to Congress and the administration for leadership and action in righting our nation’s housing market. HUD remains firmly committed to working together with communities and individuals to cope with these unprecedented challenges. This year, through a series of innovative, locally-driven efforts, the Department will help communities and families get the help they need as we slowly begin to recover from this housing crisis. While this recovery will take place over time, HUD continues to strengthen its efforts to prevent avoidable foreclosures and stabilize the housing market.

CHANGING REALITIES

While there is work still to be done, HUD is proud of the progress this Administration has made in tackling ongoing foreclosure challenges. Since April 2009, servicers report that more than 3.3 million homeowners have received restructured mortgages – more than twice the number of foreclosures completed in that time – as a result of the government’s Home Affordable Modification Program (HAMP) and FHA’s loss mitigation programs. An estimated 300,000 homeowners will be assisted in avoiding foreclosure through FHA programs as well as 400,000 homeowners assisted through third-party lender loss mitigation initiatives mandated by FHA but not receiving FHA subsidy. An additional 2.4 million homeowners will be assisted through joint HUD-Treasury programs. HUD has developed several initiatives that address foreclosure prevention, including:

National First Look Program

A partnership between HUD, the National Community Stabilization Trust and large financial institutions that offers Neighborhood Stabilization Program grantees an exclusive 12-14 day window to evaluate and bid on foreclosed properties.

Short Refinance Option

In 2010, FHA made available an option that offers underwater non-FHA borrowers, who are current on their existing mortgage and whose lenders agree to write off at least 10 percent of the unpaid principal balance of the first mortgage, the opportunity to qualify for a new FHA-insured mortgage.

In addition, following the significant increase in market share that the Federal Housing Administration (FHA) has experienced during the recent housing crisis, as well as the period of riskier lending that preceded it, HUD is protecting taxpayer resources by investing in a set of technological and organizational changes aimed at reducing the risk in the FHA portfolio. HUD is using \$20 million in Transformation Initiative Program funds to **develop robust, state-of-the-art systems and data-driven analytic tools that detect high-risk loans and protect the portfolio from borrower default**. In addition, from the organizational perspective, HUD continues to strengthen its risk management by integrating the recently established Office of Risk Management and Regulatory Affairs into FHA’s overall risk management strategy and initiatives.



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HOUSING COUNSELING ASSISTANCE

Each year, HUD awards grants to hundreds of local counseling agencies and State Housing Finance Agencies that offer a variety of services which are especially critical in today's economic climate. HUD-approved counselors help clients learn about purchasing or refinancing a home; rental housing options; reverse mortgages for seniors; foreclosure prevention; loss mitigation; preventing evictions and homelessness; and moving from homelessness to a more stable housing situation. In 2011, HUD-Approved Housing Counseling agencies, with grant funds from HUD and other funding sources, assisted over 1.9 million families, including more than 1 million potential and current



homeowners with issues pertaining to mortgages and financing of their homes.

In Fiscal Year 2013, HUD is requesting \$55 million in Housing Counseling Assistance to improve access to quality affordable housing, expand homeownership opportunities, and preserve homeownership. With this level of funding, HUD anticipates directly serving an estimated 185,000 low- to moderate-income families, as well as training approximately 4,800 counselors. This funding will also permit HUD to support the Office of Housing Counseling

initiatives to improve the effectiveness, efficiency and scale of housing counseling programs.

HUD will establish an Office of Housing Counseling to streamline, strengthen and expand homeownership counseling and rental counseling programs by increasing the visibility of housing counseling to the public; improving and streamlining the grant, certification and review processes; measuring the outcomes and impact of housing counseling; and incorporating program data, analysis, evaluation and research into improved programs and policies. Through the new Office of Housing Counseling, HUD will support a network of agencies and counselors, trained and certified to provide tools to current and prospective homeowners and renters so that they can make responsible choices to address their housing needs in light of their financial situation.