

FHA's Role and Strategy to Help Vulnerable Homebuyers and Homeowners

FHA Helping Vulnerable Homeowners & Homebuyers

- Refinance Options for Non-FHA Borrowers
- Foreclosure Prevention for FHA Borrowers
- Support for Housing Counseling
- Prevent Future Problems with Safe Affordable Homebuyer Loans
- Initiatives to Protect Homeowners and Buyers – Clinics, mailings, partnerships

Role 1

Refinance Option for Non-FHA Borrowers

Refinance Options for Non-FHA Borrowers

Advantages of FHA Refinance Loans

- Available anywhere for all types of loan.
- Interest Rates among lowest in the market
- Fully amortizing
- Superior protection for borrowers in trouble

Refinance Options for Non-FHA Borrowers

Borrowers with Fixed Rate Loans

- Current borrowers
- Refinance principal, interest, closing costs, prepaids, and prepayment penalties
- Loan-To-Value ratio up to 97.75% of appraised value; 95% for cash-out loans.

Refinance Options for Non-FHA Borrowers

Borrowers with Fixed Rate Loans (continued)

- FHA's standard underwriting criteria apply
- For 95% cash-out, borrower must also have owned property for at least 12 months, and made last 12 payments on time

Refinance Options for Non-FHA Borrowers

Borrowers with Non-FHA ARMs

- FHASecure for Delinquent Borrowers
- Loan must have reset.
- Lender must determine that for 6 months prior to reset, borrower was meeting obligations timely, including mortgage payments
- Mortgage may include principal, interest, closing costs, prepaids, and prepayment penalties

Refinance Options for Non-FHA Borrowers

Borrowers with Non-FHA ARMs

- FHA Secure (continued)
- Loan may also include missed payments since loan reset
- FHA loan may be up to 97.75% of value.
- Standard underwriting criteria
- If value does not support indebtedness and costs, lender may provide a second, non-FHA loan

Refinance Options for Non-FHA Borrowers

Borrowers with Non-FHA ARMs

- If loan has not reset, not eligible for FHA Secure.
- FHA will still allow a non-FHA second where value insufficient to cover indebtedness and costs.
- All other FHA requirements apply.

Role 2

Foreclosure Prevention for FHA Borrowers

Foreclosure Prevention for FHA Borrowers

Our goals are to

- Minimize a borrower's risk of foreclosure
- Use Loss Mitigation tools to keep the borrower in the home.

Foreclosure Prevention for FHA Borrowers

Loss Mitigation

Home Retention Options

- Special Forbearance
- Loan Modification
- Partial Claim

Foreclosure Prevention for FHA Borrowers

Loss Mitigation

Non-Retention Options

- Pre-Foreclosure Sale
- Deed-In-Lieu of Foreclosure

Foreclosure Prevention for FHA Borrowers

Loss Mitigation

Home Retention Options

Special Forbearance -Long term repayment plan that may involve temporary payment reductions or suspension while a borrower recovers from the cause of default.

Foreclosure Prevention for FHA Borrowers

Loss Mitigation

Home Retention Options

Loan Modification – Permanent change to mortgage terms that reinstates a loan and reduces monthly payments through capitalized or re-amortized payments or through a lower interest rate.

Foreclosure Prevention for FHA Borrowers

Loss Mitigation

Home Retention Options

Partial Claim – Advance of insurance funds as a HUD interest-free second mortgage loan due when first mortgage is paid, refinanced or sold.

Foreclosure Prevention for FHA Borrowers

Loss Mitigation

Non-Retention Options

Pre-Foreclosure Sale - Mortgagor sells the property at a price less than the outstanding mortgage balance and HUD pays an insurance claim to the mortgagee for the resulting loss

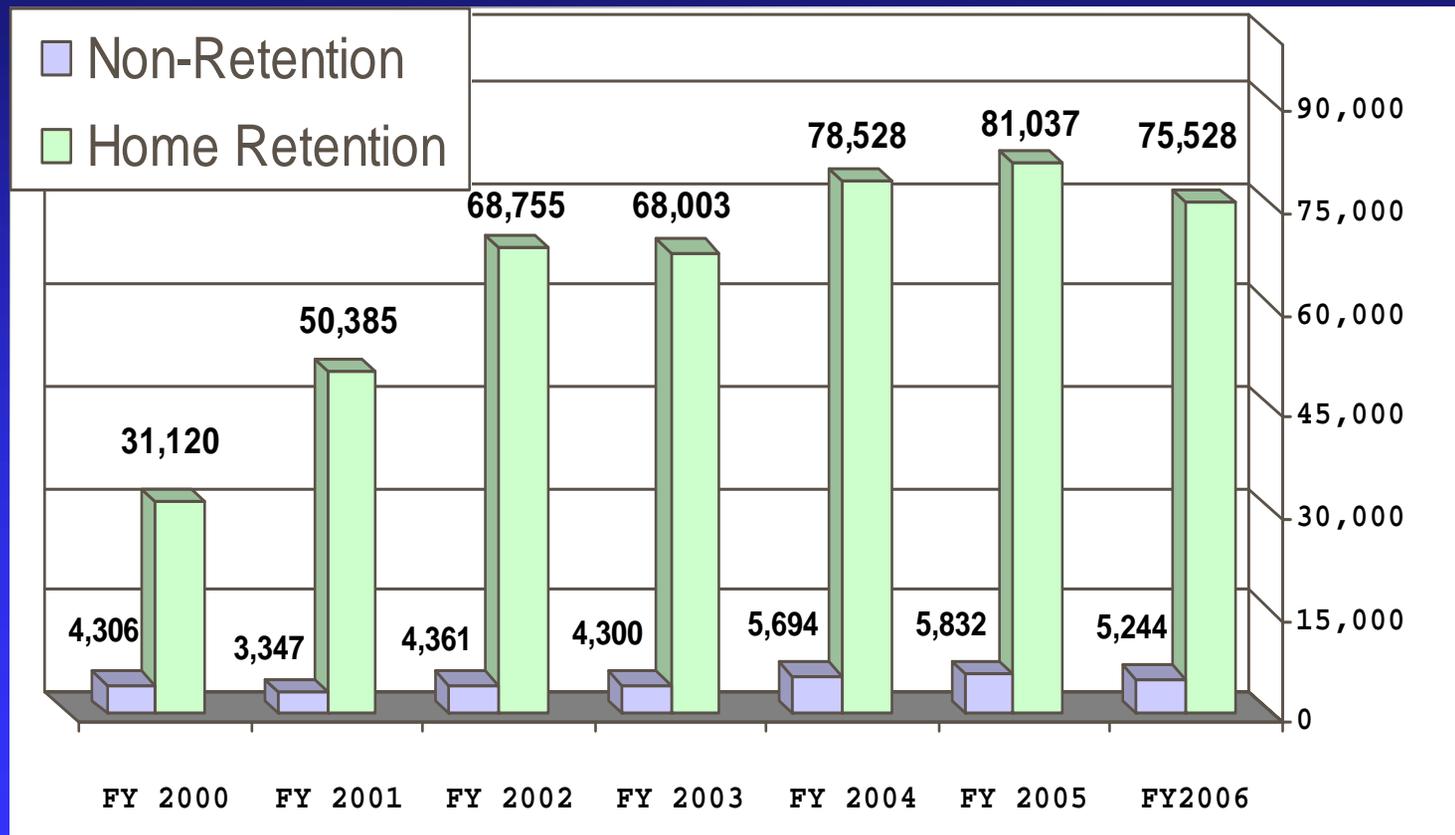
Foreclosure Prevention for FHA Borrowers

Loss Mitigation

Non-Retention Options

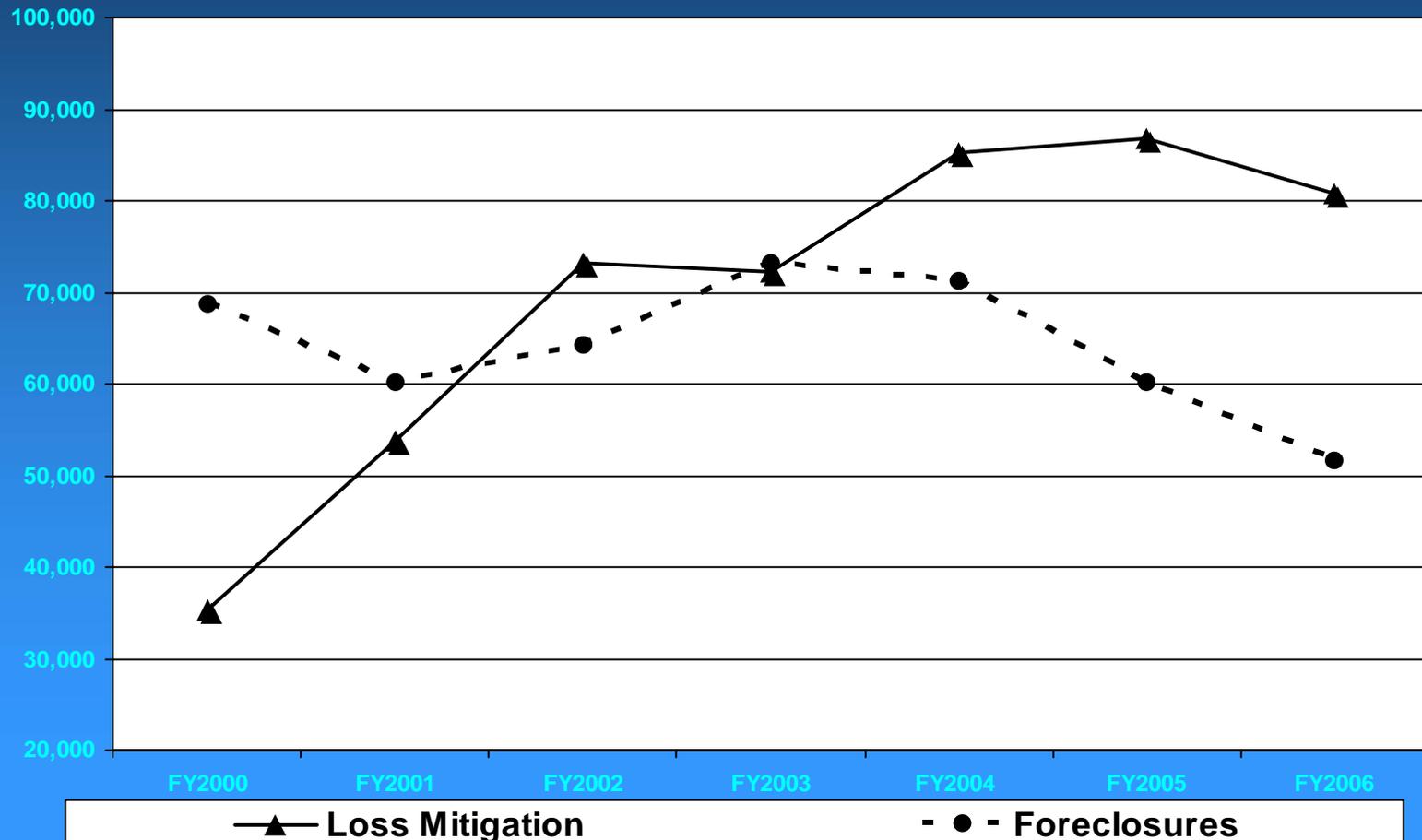
Deed-in-Lieu of Foreclosure - Voluntary
transfer of property title to the mortgagee or
directly to HUD

Foreclosure Prevention for FHA Borrowers



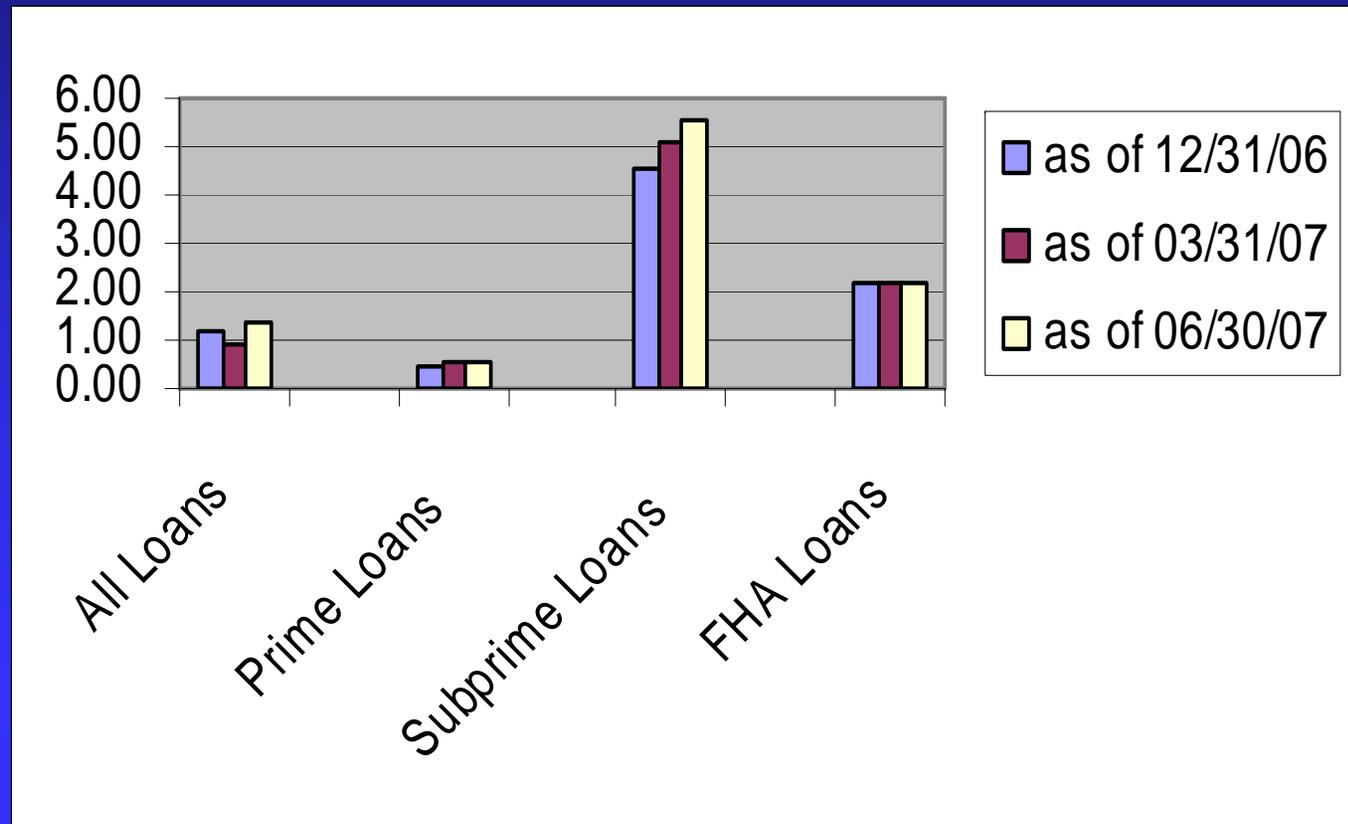
Foreclosure Prevention for FHA Borrowers

Loss Mitigation vs. Foreclosure Fiscal Years 2000-2006



Foreclosure Prevention for FHA Borrowers

% Loans in Foreclosure



Role 3

Supporting Housing Counseling

Supporting Housing Counseling

- HUD-FHA understands the importance of housing counseling.
- Over 500 HUD approved housing counseling agencies provide pre-purchase and foreclosure prevention counseling nationwide.
- HUD will award over \$41 Million in housing counseling grants to over 400 approved agencies in Fiscal Year 2007.

How HUD Supported Counseling Helps Borrowers

- Pre-purchase counseling - The key to successful homeownership.
- Default counseling prevents foreclosure
- Reverse Mortgage counseling - Insures seniors get the right type of assistance.

Role 4

Preventing Future Problems with Safe and Affordable FHA Homebuyer Products

Preventing Future Problems with Safe and Affordable FHA Homebuyer Products

FHA – The Program for First Time Home Buyers

- Low & easy to assemble down payment
- Competitive, often lower interest rates
- More flexible underwriting
- No pre-payment penalties

Preventing Future Problems with Safe and Affordable FHA Homebuyer Products

FHA – The Program for First Time Home Buyers

- No minimum credit scores
- Streamline (non credit qualifying) refinance
- Fully assumable by a qualifying borrower
- Protection from foreclosure

Preventing Future Problems with Safe and Affordable FHA Homebuyer Products

Renovation Financing with the FHA Streamlined 203(k)

- Simplified processing for Non-Structural repairs up to \$35,000
- Update and Improve homes
- Happy buyer more likely to stay in home
- Purchase or Refinance

Role 5

FHA Pilot Projects to Protect Homebuyers and Homeowners

FHA Pilot Project to Protect Vulnerable Homebuyers and Homeowners

Information

- Comprehensive outreach and education in targeted neighborhoods with histories of subprime lending and foreclosures.
- Direct mailing information to subprime borrowers whose loans will re-set at higher payments or who are already paying higher interest rates

FHA Pilot Project to Protect Vulnerable Homebuyers and Homeowners

Information

- Provide FHA information on refinancing, first-time home buying, purchase and repair programs, reverse mortgages and housing counseling.
- Educate FHA borrowers at risk on Loss Mitigation

FHA Pilot Project to Protect Vulnerable Homebuyers and Homeowners

Partnerships

- Develop programs with state and local housing agencies and nonprofits to fill gap between refinancing needs and approvable loan amounts
- Establish local referral and contact points for respondents unable to refinance due to delinquencies

FHA Pilot Project to Protect Vulnerable Homebuyers and Homeowners

Activities

- Regional Foreclosure Summits
- Direct Mail
- Radio and Newspaper Advertising
- Home Ownership Clinics

FHA Pilot Project to Protect Vulnerable Homebuyers and Homeowners

Homeownership Clinics in Northeast U.S.

- Hartford 40 attendees
- Philadelphia 400 attendees
- Cleveland 800 attendees
- Columbus Upcoming
- Toledo Upcoming
- Newark Upcoming
- Detroit Upcoming

FHA Pilot Project to Protect Vulnerable Homebuyers and Homeowners

Homeownership Clinics

- Advertised on radio and in newspapers
- Breakout sessions - foreclosure prevention, refinance and first time home purchase
- One-on-ones with lenders and counselors
- In Cleveland, 2 lenders reported at least 50 workouts each from clinic.