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

- FHASecure (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 FHASecure.
- 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-Retention</th>
<th>Home Retention</th>
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<tbody>
<tr>
<td>FY 2000</td>
<td>4,306</td>
<td>31,120</td>
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<tr>
<td>FY 2001</td>
<td>3,347</td>
<td>50,385</td>
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<tr>
<td>FY 2002</td>
<td>4,361</td>
<td>68,755</td>
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<tr>
<td>FY 2003</td>
<td>4,300</td>
<td>68,003</td>
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<td>FY 2004</td>
<td>5,694</td>
<td>78,528</td>
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<td>FY 2005</td>
<td>5,832</td>
<td>81,037</td>
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<tr>
<td>FY 2006</td>
<td>5,244</td>
<td>75,528</td>
</tr>
</tbody>
</table>
Foreclosure Prevention for FHA Borrowers

Loss Mitigation vs. Foreclosure
Fiscal Years 2000-2006
Foreclosure Prevention for FHA Borrowers

% Loans in Foreclosure

- All Loans
- Prime Loans
- Subprime Loans
- FHA Loans

as of 12/31/06
as of 03/31/07
as of 06/30/07
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.