



New and Longstanding FHA Programs and Initiatives

Examining Successful Collaborations

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Country Springs Hotel, Waukesha, WI

David Balcer, FHA Customer Liaison

414-297-3214, ext. 8634

david.w.balcer@hud.gov

How FHA Can Help Homeowners

- ◆ Basic FHA Requirements
- ◆ FHA *Secure* Refinance of Non-FHA Loans
- ◆ FHA to FHA Streamline Refinance
- ◆ HOPE for Homeowners (H4H) Program
- ◆ FHA Loss Mitigation Alternatives

What is FHA Insurance?

The Federal Housing Administration (FHA) insures mortgage loans offered by mortgage lenders in order to encourage the lenders to make affordable home financing available to prospective and current homeowners.

An FHA-insured mortgage is backed by the full faith and credit of the U.S. government.

Benefits of FHA

Easier for Borrowers to Qualify

- ◆ No minimum credit scores
- ◆ Alternative credit, self-employment okay
- ◆ Standard qualifying ratios are 31/43 – higher with compensating factors
- ◆ Standard 1.75% up front Mortgage Insurance Premium (MIP) can be financed with FHA loan
- ◆ Standard monthly MIP based on .50% or .55% per year

Benefits of FHA

Low Down Payments And Flexible Sources of Funds

- ◆ 3% minimum cash investment through 12/31/08
- ◆ 3.5% minimum cash investment beginning 1/1/09
- ◆ Investment can include down payment and closing costs
- ◆ Flexible source of funds from allowable sources

Benefits of FHA

FHA Loans Provide Borrower Flexibility

- ◆ FHA loans are assumable – if interest rates rise, assumability makes loan more valuable
- ◆ No prepayment penalties when refinancing
- ◆ No credit qualifying for FHA-to-FHA refinances (Streamline Refinance)
- ◆ Wide range of loss mitigation tools to serve borrowers in difficulty

Borrower Qualification

- Must be owner-occupants of property as primary residence – may not be investor
- Must be legally able to work in U.S. – Citizenship not required, but must have valid Social Security number
- Must qualify for the mortgage (no maximum income limits)
- Can have only one FHA insured mortgage
- May be a HUD-approved non-profit or governmental agency

Property

- ◆ May be one to four units (except HOPE for Homeowners program)
- ◆ Must meet Minimum Property Standards
- ◆ May be existing or new construction
- ◆ May be an approved condominium
- ◆ May be manufactured housing

Maximum Mortgage Limits

- ◆ Based on MSA (Metropolitan Statistical Area)
- ◆ Floor and ceiling established annually (each January)
- ◆ As of March 5, 2008, “floor” is \$271,050
- ◆ Mortgage limit search page is at <https://entp.hud.gov/idapp/html/hicostlook.cfm>

FHASecure

- ◆ All conventional-to-FHA rate and term refinances are considered *FHASecure*, regardless of whether the borrower is delinquent or current.
- ◆ *FHASecure* may help homeowners who can no longer afford their mortgages and missed up to three monthly mortgage payments over the past 12 months. As an alternative to foreclosure, eligible borrowers can refinance with FHA, and lenders can voluntarily write down the outstanding subprime mortgage principal balances.

HOPE for Homeowners (H4H) Program

- ◆ Effective for refinances between 10/01/08 and 9/30/11 of non-FHA mortgage loans originally made before 1/1/08
- ◆ Borrowers may be current or delinquent on their existing mortgage
- ◆ Requirements re existing mortgage and other liens
- ◆ FHA equity and appreciation sharing
- ◆ 3% up front Mortgage Insurance Premium (MIP) – monthly MIP based on 1.5% per year

H4H Features

- ◆ 30-year fixed rate mortgage
- ◆ Maximum 90% loan-to-value (LTV) of new appraised value
- ◆ Must extinguish all existing liens
- ◆ Loan limit of \$550,440 nationwide
- ◆ 3.0% Upfront MIP and 1.5% Annual MIP
- ◆ One unit properties only

H4H Borrower Eligibility

- ◆ Affordability problem
- ◆ Owner occupant / principal residence
- ◆ No intentional defaults on previous loan
- ◆ No materially false information to obtain previous mortgage
- ◆ Not convicted of fraud in last 10 years

H4H Eligibility - Previous Mortgage

- ◆ Existing mortgage payment debt to income (DTI) ratio >31
- ◆ Originated on or before January 1, 2008
- ◆ Prime, Alt-A, Subprime, FHA, RD, VA
- ◆ Fixed rate or ARM
- ◆ Current, delinquent, foreclosure, bankruptcy

H4H Qualifying Property

- ◆ Principal and only residence – cannot own other residential real estate
- ◆ 1 unit properties only
- ◆ All property types
- ◆ Appraisal no more than 3 months old at closing

Qualifying Under H4H

- ◆ Must have made 6 months mortgage payments ever, over life of loan
- ◆ H4H Ratios = 31/43
 - Can be exceeded to 38/50 with successful 3 month trial modification
 - On-time and in-full payments
- ◆ MIP and transaction costs included in 90% (lender/borrower/3rd parties may pay)

H4H Equity Sharing

- ◆ Borrower and FHA share equity created by write down
- ◆ Sliding scale with 100% going to FHA in first year with 50/50 split after 5 years and beyond
- ◆ Borrower can extinguish equity note through refinance or sale

H4H Appreciation Sharing

- ◆ Borrower and FHA share in future appreciation
- ◆ FHA can share its future appreciation entitlement with subordinate lien holders
- ◆ Borrower can extinguish the appreciation note only through sale

H4H Borrower Considerations

Benefits

- ◆ Value Realignment / Reduced Principal Balance
- ◆ New Equity
- ◆ Affordable Payments

Costs

- ◆ Higher premiums / interest rate
- ◆ Shared equity with FHA
- ◆ Share future appreciation with FHA

H4H vs. FHA Secure

	HOPE for Homeowners	FHA Secure
Eligible Loan Types for Refinance of Delinquent Loan	<p>Fixed-rate or ARM Conventional or gov't Loans originated on or before Jan. 1, 2008 6 months payments on loan ever, over life of loan</p>	<p>ARMs Conventional loans No limit on months of delinquency at time of refinance Prior to episode of delinquency, only 2 30-day lates (3X30, 90 LTV)</p>
Loan to Value	<p>Maximum 90% Cannot include pre-payment penalties or late fees</p>	<p>Standard FHA LTV May include pre-payment penalties and late fees</p>
Property Type	<p>1 unit properties only</p>	<p>1-4 family properties</p>

H4H vs. FHA Secure

	HOPE for Homeowners	FHA Secure	
Combined Loan to value	90% No subordinate financing allowed.	Unlimited CLTV for new subordinate financing Unlimited CLTV for re-subordination or modification of existing subordinate financing.	
New Mortgage	30 year fixed-rate	15 or 30-year fixed-rate, 1-year ARM, or hybrid ARM	
Upfront Mortgage Insurance	3% (included in 90% max LTV)	Delinquent: 3% UFMIP	Current 1.75% UFMIP
Annual Premium	1.5%	>95% LTV is .55% <95% LTV is .50%	
Sharing	Equity and Appreciation	None	

Roles: Counseling Agencies

- ◆ Advise borrowers on available options
- ◆ Determine the best fit
- ◆ Help borrowers negotiate with lien holders

Roles: Lenders

- ◆ Weigh benefits of participating vs. potential costs of alternatives
- ◆ Determine borrower eligibility
- ◆ Originate new H4H mortgages or pursue other options

FHA Loss Mitigation

- ◆ Special Forbearance
- ◆ Loan Modification
- ◆ Partial Claim
- ◆ Pre-foreclosure Sale
- ◆ Deed-in-Lieu

FHA Loss Mitigation

- **Special Forbearance** - written repayment agreement between a mortgagee and a mortgagor, which contains a plan to reinstate a loan that is minimum three mortgage payments due and unpaid.
- **Loan Modification** - permanent change in one or more of the terms of a mortgagor's loan, allows the loan to be reinstated and results in a payment the mortgagor can afford.

FHA Loss Mitigation

- ◆ **Partial Claim** - mortgagee advances funds on behalf of a mortgagor in an amount necessary to reinstate a delinquent loan (not to exceed the equivalent of 12 months' PITI). Mortgagor executes a promissory note and subordinate mortgage payable to HUD. These promissory or "Partial Claim" notes assess no interest and are not due and payable until the mortgagor either pays off the first mortgage or no longer owns the property.

FHA Loss Mitigation

- ◆ **Pre-foreclosure Sale** - allows the mortgagor in default to sell their home and use the net sale proceeds to satisfy the mortgage debt even though these proceeds are less than the amount owed.
- ◆ **Deed-in-Lieu** - mortgagor voluntarily deeds mortgaged property in exchange for a release from all obligations under the mortgage – may not be accepted from mortgagors who can financially make their mortgage payments.