

Government Loans and the Sub prime Market: What's the Right Balance?

The Need for FHA Reform

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Agenda

- ✓ Introduction
 - ✓ Market Forces Creating Perfect Storm Opportunity for FHA
 - ✓ HUD Leadership
 - ✓ FHA Leadership and Reform
 - ✓ FHA Legislation and Status
 - ✓ VA Celebrates 18 million and Slated to Announce Reforms
 - ✓ Conclusion
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Introduction

- » **Role of FHA**
 - » **Role of the Primary and Secondary Markets**
 - » **Changing Dynamics of 2003 – 2007**
 - » **Landscape of Public Policy**
 - » **Media Attention to the “Mortgage Meltdown”**
 - » **USA Today Letter to Editor Frames Debate**
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Market Forces Creating Perfect Storm for FHA

- » **Nontraditional Guidance**
 - » **Sub prime Guidance and Sub prime Implosion**
 - » **Regulator Tightening**
 - » **Shake-out in Sub prime**
 - » **Democratic Control of House and Senate**
 - » **All Opportunistic for FHA**
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HUD Leadership

- » **Secretary Alphonso Jackson created the Blueprint for the American Dream**
 - » **Secretary Jackson is a vocal proponent for first-time home buyers**
 - » **HUD is investing in marketing and has rolled out print advertisements**
 - » **Secretary Jackson has empowered the FHA Commissioner to lead FHA back to its role of serving first-time and credit challenged borrowers at prime rates with prime products**
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The Need for FHA Reform



First-Time Homebuyers...Turn to FHA



FHA CAN HELP!

Since 1934, FHA has been helping people just like you become homeowners. For this reason, millions have relied on FHA loans when buying their first home.

You can get an FHA mortgage with little money down, lower fees and easier qualifying requirements. You don't need perfect credit either. To learn more, contact an FHA-approved lender or real estate professional near you.

For more information about FHA loans, call 1-800-CALL-FHA or visit www.fha.gov



1-800-CALL-FHA • www.fha.gov

If You're Thinking About Buying a Home, or You've Been in Your Home for a Lifetime...



FHA CAN HELP!

FHA can open the door to your first or next home. You can get an FHA mortgage with little money down, lower fees and easier qualifying requirements. You don't need perfect credit either.

And, if you're 62 or older, FHA can help you tap your home equity for repairs or other expenses. FHA can even help you buy a new home or replace one that's been destroyed or damaged in a natural disaster. To learn more, contact an FHA-approved lender or real estate professional near you.

For more information about FHA loans, call 1-800-CALL-FHA or visit www.fha.gov



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Before You Buy a Home, Do Your Homework



FHA CAN HELP!

You can get an FHA mortgage with little money down, lower fees and easier qualifying requirements. You don't need perfect credit either.

HUD-approved housing counselors can assist you with the ABCs of homebuying. Just call 1-800-569-4287 to locate an agency near you. Don't be a victim of high interest rates!

For all other questions about FHA loans, call 1-800-CALL-FHA or visit www.fha.gov



1-800-CALL-FHA • www.fha.gov

FHA Leadership and Reform

- » **Brian Montgomery has energized the FHA career staff**
 - » **Montgomery has implemented the following major changes:**
 - **Appraisal Changes**
 - **Borrowers can pay closing costs**
 - **Cash-out refinance – 95% LTV**
 - **Streamlined Section 203(k) Rehabilitation Program**
 - **Lender Insurance/Electronic Endorsement**
 - **Streamlined Certain Documentation**
 - › **Elimination of signature on home inspection**
 - › **Elimination of the retention policy on new construction documentation**
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FHA Legislation and Status

- » **FHA Legislation introduced to modernize the program**

 - » **Features include:**
 - **Zero down payment**
 - **Higher loan limits**
 - › **In high cost areas, use median sales price**
 - › **Raise floor to \$275,000**

 - **Acceptance of conventional condominium projects**
 - **Risk based pricing**
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FHA is Serious about Reform

- » **Legislative prospects are encouraging**
 - » **While some large lenders have pulled out of FHA, there are reasons to be optimistic**
 - » **FHA has a real opportunity to grow notwithstanding the risks and red tape that come with a government program**
 - » **For lenders to be successful, knowledge and service matter**
 - » **Early indications, MBA May 12 Survey, show first growth in FHA volume over past two years**
 - » **FHA Down payment assistance and IRS charitable status are watch items**
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VA Celebrates 18 million and is Slated to Announce Program Enhancements

- » **VA Office of Loan Guaranty is reviewing its policies and procedures and is preparing to announce changes**
 - » **Loan administration changes will enable lenders to leverage servicing opportunities**
 - » **Self-service connectivity will speed process**
 - » **Call and engage your regional VA office**
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Conclusion

- » **What a difference a year makes**
 - » **With investor and regulatory tightening, FHA is poised for growth**
 - » **Government loans are high risk, high hurdle, so jump in with your eyes wide open**
 - » **With legislation, the opportunity will be huge**
 - » **Without legislation, FHA's leadership can make the difference for first-time home buyers and credit challenged individuals and families**
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