



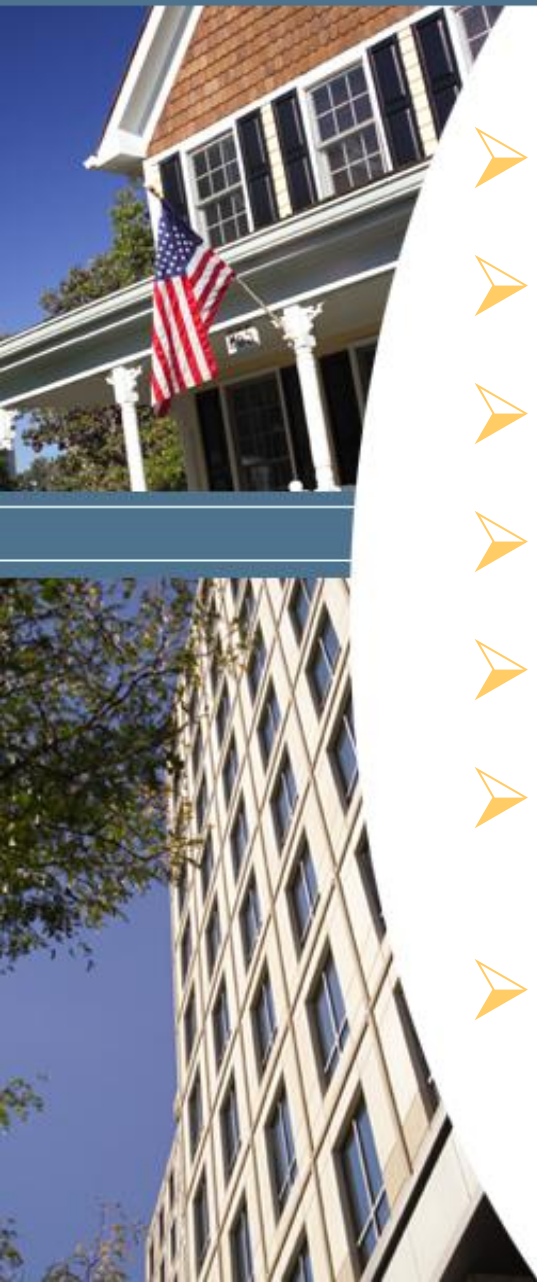
# Government Housing Programs



# FHA

## Providing Opportunities for Homeownership

# FHA Insured Loan Programs

- 
- 203(b) – Single Family
  - 234(c) – Condominium
  - 203(h) – Disaster Victims Mortgage
  - *FHASecure*
  - Energy Efficient Mortgage (EEM)
  - 203(k) – Rehabilitation Mortgage
    - Streamlined(k)
  - 255 – Home Equity Conversion Mortgage (HECM)



- **Single Family Residential**

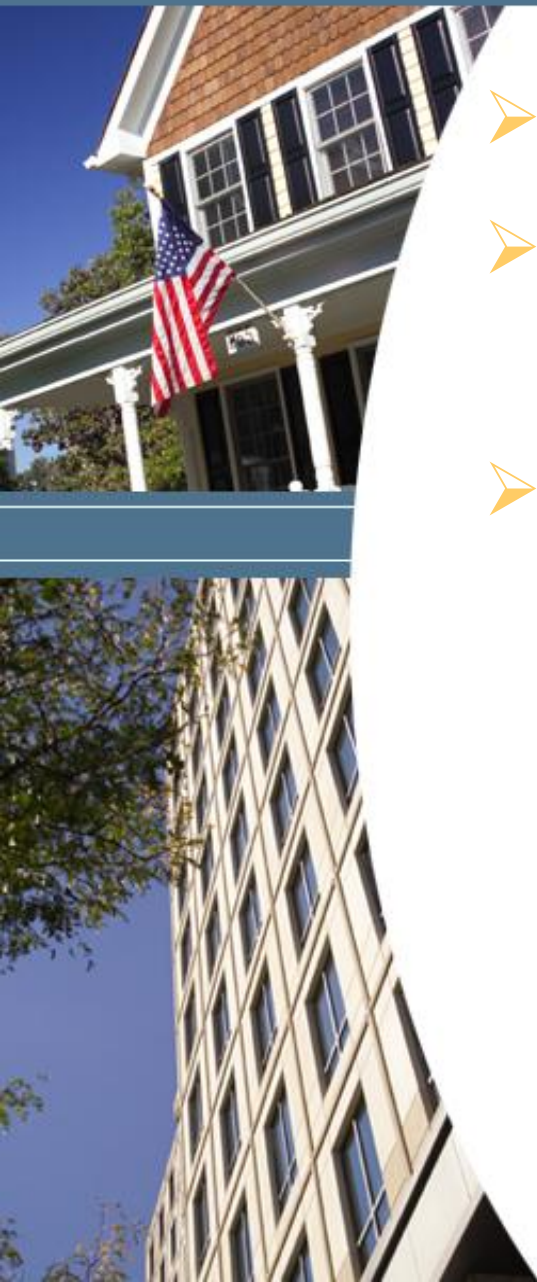
- 2 to 4 Units
- Planned Unit Developments
- Manufactured Homes

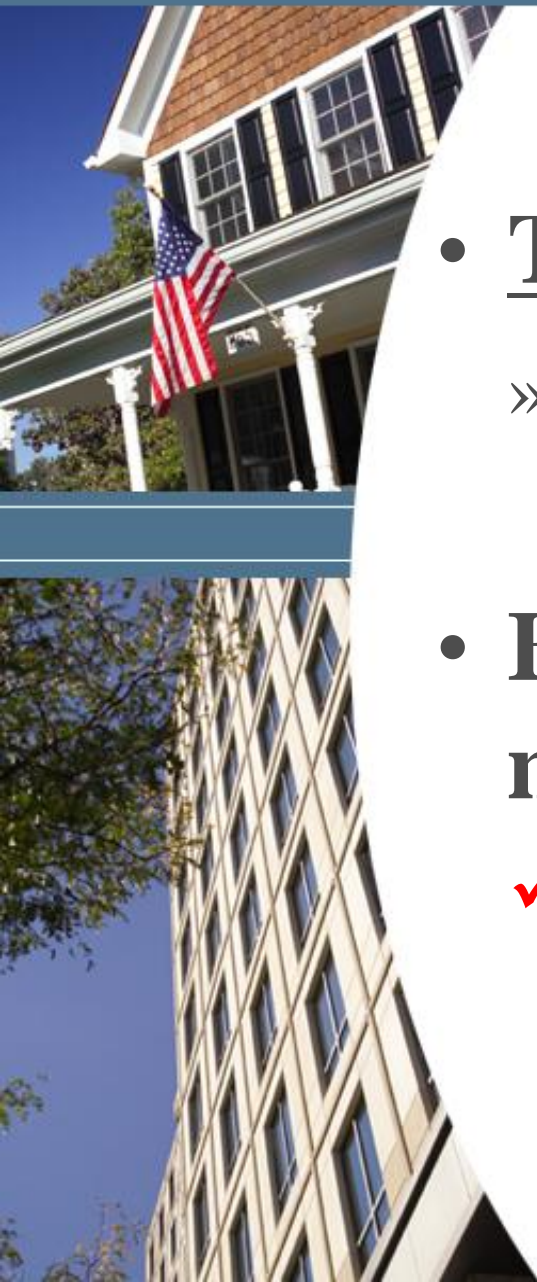


- Requires 3% minimum cash investment (Purchase)

- May be either Fixed Rate or Adjustable (ARM)

- Available for Purchase and Refinance

- 
- 3% minimum cash investment
  - Fixed rate or Adjustable - Purchase or Refinance
  - HUD Approved Projects and Lender “Spot” Approvals
    - **At least 4 units in the project**
    - **Units may be detached, row house, or multi-level (including high-rise)**
    - **Apartment conversions acceptable (some restrictions may apply)**

- 
- **Temporary Program**
    - » **Loan Applications must be executed on or before 12/31/2008**
  - **Borrowers with Non-FHA mortgages**
    - ✓ **Current or Delinquent**

## Borrower Type

- **Delinquent borrowers with non-FHA ARMs – *delinquency due to reset***
  - » Pending revision
- **Delinquent borrowers with Payment Option or Interest Only mortgages – *delinquency due to reset***
  - » Pending revision

## Borrower Type

- **Non-delinquent (current) borrowers with non-FHA ARMs**
- **Non-delinquent (current) non-FHA borrowers with fixed rate mortgages**
- **Non-delinquent (current) borrowers with Payment Option or Interest Only mortgages**

## No cash-out refinance with these exceptions/waivers granted:

- Delinquency
- Subordinate financing
- CLTV



## ➤ Reference material:

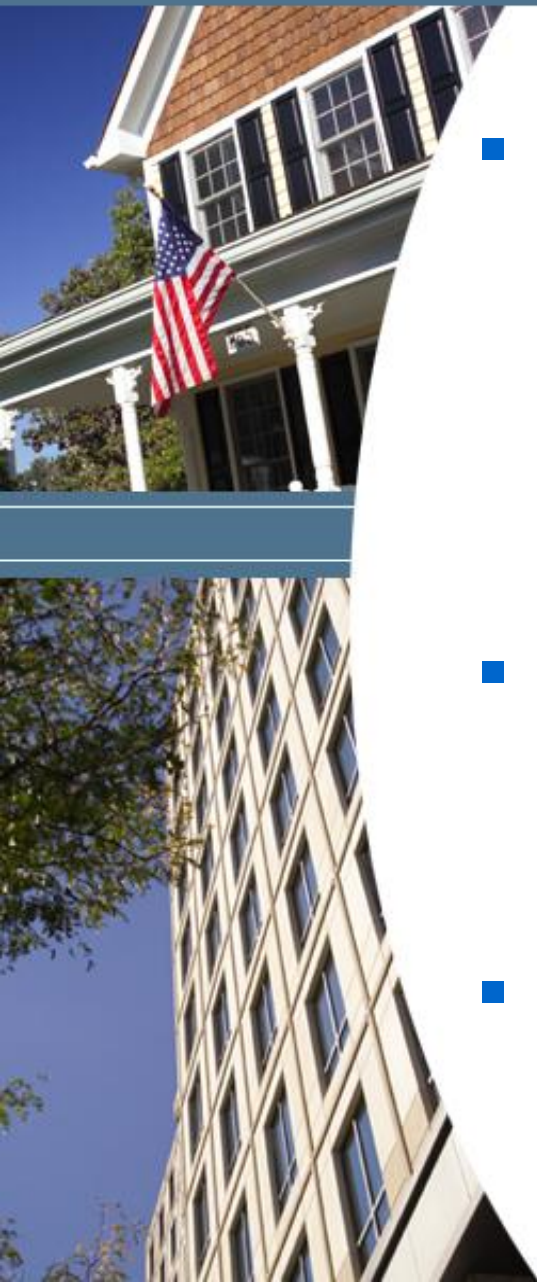
- ☐ Mortgagee Letter 2007-11
- ☐ FAQs at [www.fha.gov](http://www.fha.gov)

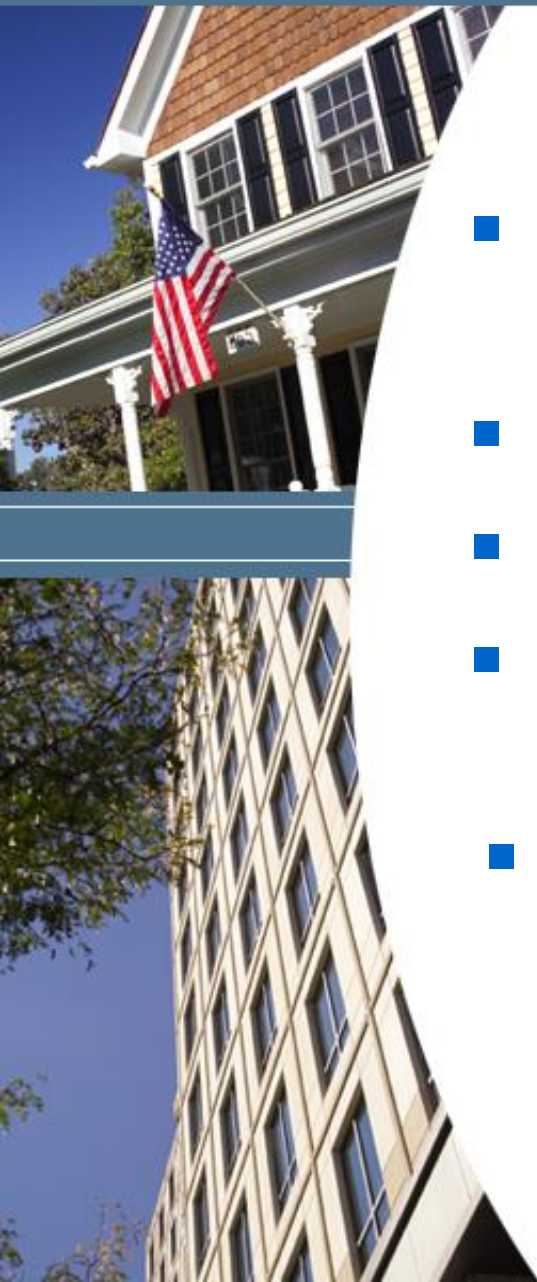


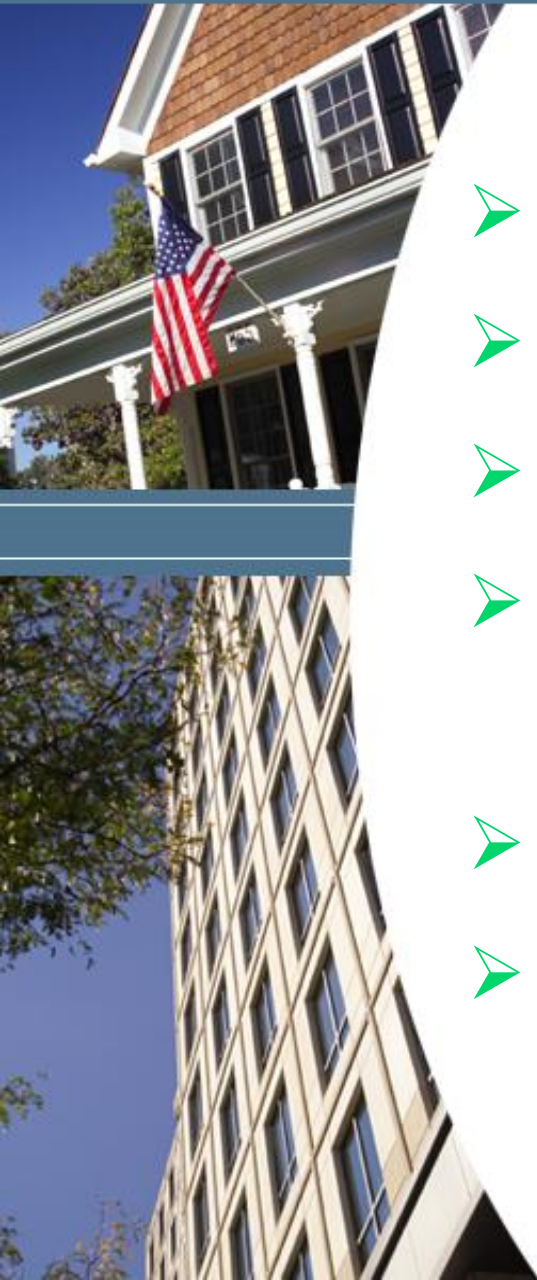
## Available to Both Homeowners and Renters

- 100% financing
- 3% minimum investment not required
- Must pay closing costs and pre-paids
  - New home can be anywhere in the U.S.
  - Must apply within one (1) year
- Prior residence must have been located in a federally declared disaster area

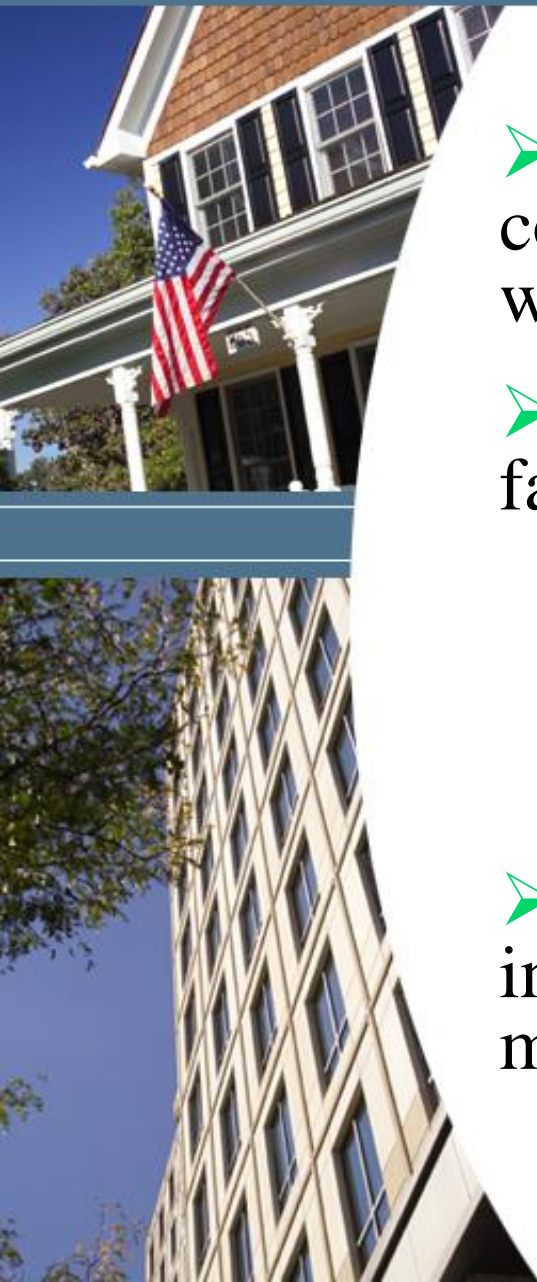
# Energy Efficient Mortgage (EEM)

- 
- In addition to the purchase/refinance requirements, borrower can finance up to 100% of energy efficient improvements.
    - One to four unit properties including condos and manufactured homes
  - The maximum loan increase (financed improvements) may not exceed the lesser of 5% of the property value or \$8,000.
    - **(A minimum of \$4,000 is assured regardless of appraised value)**

- 
- Covers energy improvements for new and existing homes
  - No re-qualifying required
  - No additional down payment required
  - No new appraisal required
    - **Appraisal is not subject to the improvements**
  - **Statutory loan limits may be exceeded to finance improvements**



- **The ONLY insured reverse mortgage**
- **Access equity with deferred repayment**
- **“Convert” illiquid asset to liquid funds**
- **Loan available to homeowners 62 years of age or older**
- **Must occupy home as principal residence**
- **Must complete HECM counseling**

- 
- The loan allows senior homeowners to convert the equity in their homes into cash with no monthly repayment obligation
  - The amount of a HECM loan is based on 3 factors:
    - **Age of youngest borrower**
    - **Expected interest rate**
    - **Property value/statutory loan limits**
  - The older the borrower, the lower the interest rate, the higher the home value, the more money the senior homeowner can access



- **Existing Properties** (No proposed construction)

- **Single Family, 1-4 unit homes**

Note: 2-4 unit properties; calculation based on one unit loan limit

- **Manufactured Homes**

- **PUDs**

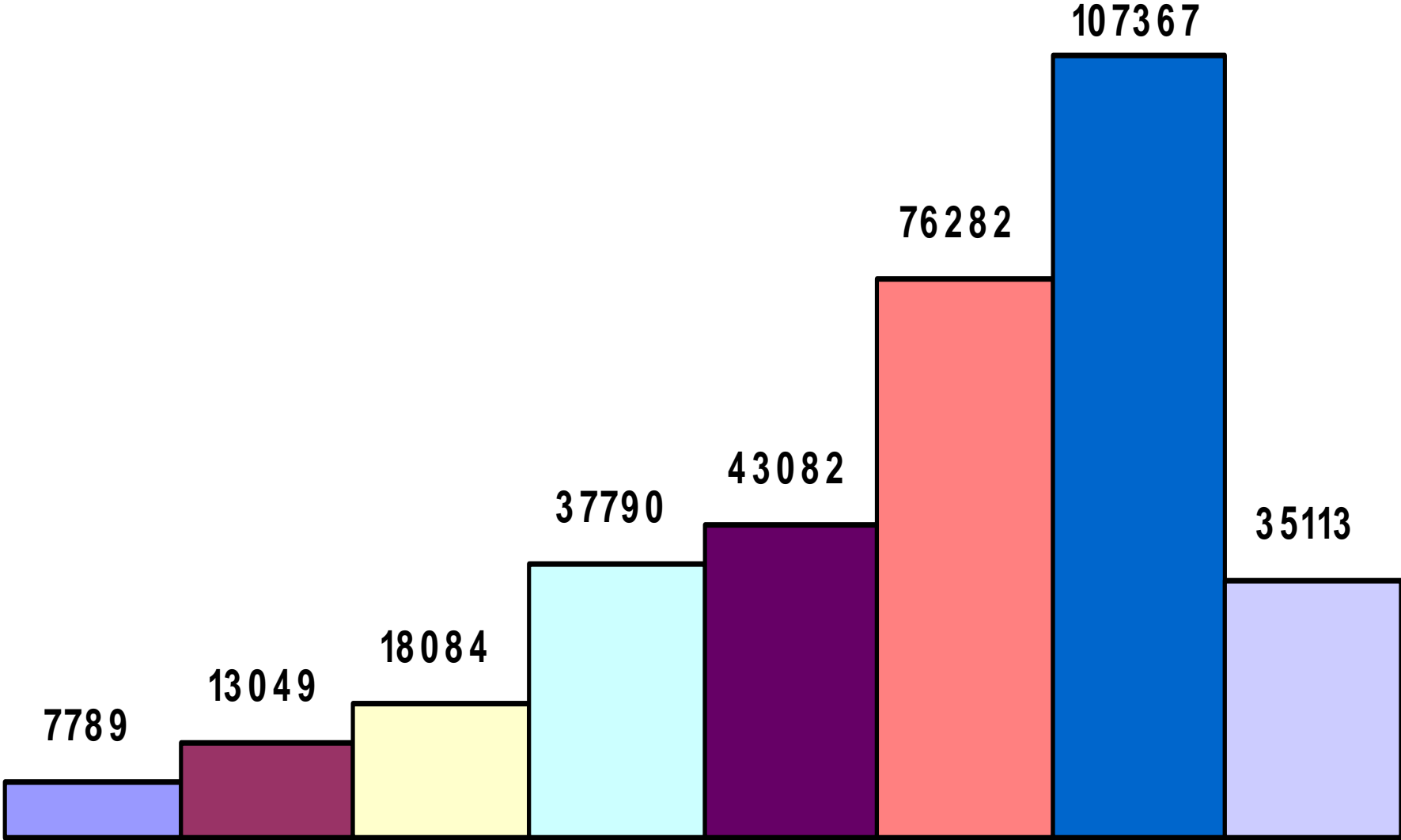
- **Condominiums**

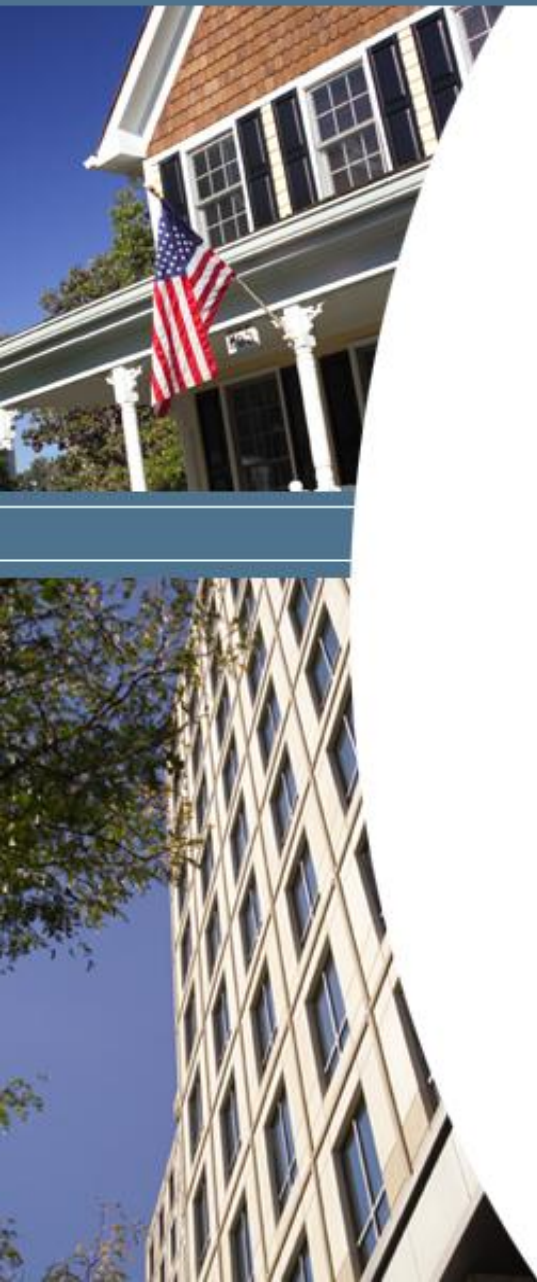
**All properties must meet MPR/MPS  
(Minimum Property Requirements/Standards)**

# HECM Endorsements FY 2001 - 2008



2001 2002 2003 2004 2005 2006 2007 2008





# Economic Stimulus Act of 2008

## Economic Stimulus Act of 2008

- » Established new “Temporary Loan Limits” for FHA financing
  - Through 12/31/08
  - Calculated at 125% of median sales price not to exceed a maximum of \$729,750

# FHA Temporary Loan Limits



The current maximum mortgage limits are:

- » 1 unit - \$729,750
- » 2 units - \$934,200
- » 3 units - \$1,129,250
- » 4 units - \$1,403,400

**Note:**

The amounts are greater for properties located in Alaska, Guam, Hawaii and the Virgin Islands.

# FHA Temporary Loan Limits



The current standard (floor) limits are:

» 1 unit	-	<b>\$271,050</b>
» 2 units	-	<b>\$347,000</b>
» 3 units	-	<b>\$419,400</b>
» 4 units	-	<b>\$521,250</b>

## ***Mortgagee Letter 2008-09***

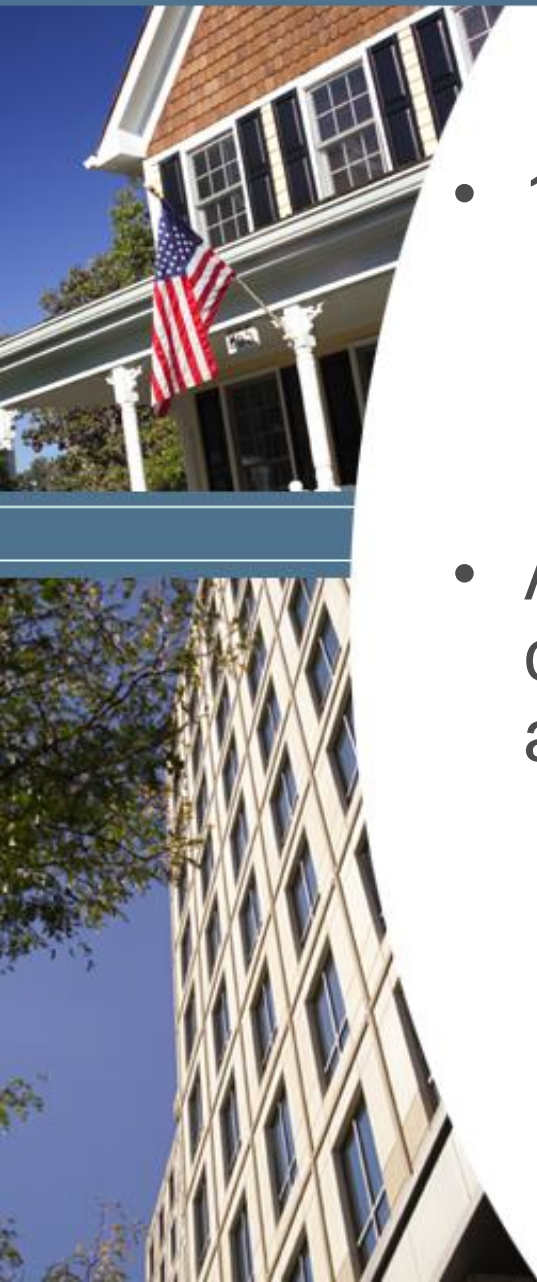
### **Second Appraisal Is Required When**

- The loan amount, excluding UFMIP, will exceed \$417,000 **AND**
- LTV, excluding upfront MIP, equals or exceeds 95% **AND**
- Property is in a declining market.

## Who Can Perform 2<sup>nd</sup> Appraisal?

- FHA Roster Appraiser that is not affiliated with the case or previous appraisal/appraiser
- DE lender selects appraiser
- No second case number ordered
- Appraisal fee may be passed onto borrower

# FHA Temporary Loan Limits

- 
- 1-unit detached house;
    - » 2<sup>nd</sup> appraisal may be exterior-only (FNMA 2055)
      - In this case, the repair requirements on original interior-exterior appraisal must satisfied
  - All other types of property must be completed on the appropriate FHA accepted appraisal form
    - » These are not eligible for exterior-only appraisals

# FHA Temporary Loan Limits

- Reduced Mortgage Amount
  - » If 2<sup>nd</sup> appraisal is more than 5% lower than original, maximum mortgage is based on 2<sup>nd</sup> appraisal's value
- Include 2<sup>nd</sup> appraisal in FHA insuring binder
  - » When using value of 2<sup>nd</sup> appraisal, lender must enter that data in the appraisal logging screen
- Appraisers are to report instances of undue pressure or influence to FHA
  - » Appropriate disciplinary actions against the involved lender may result



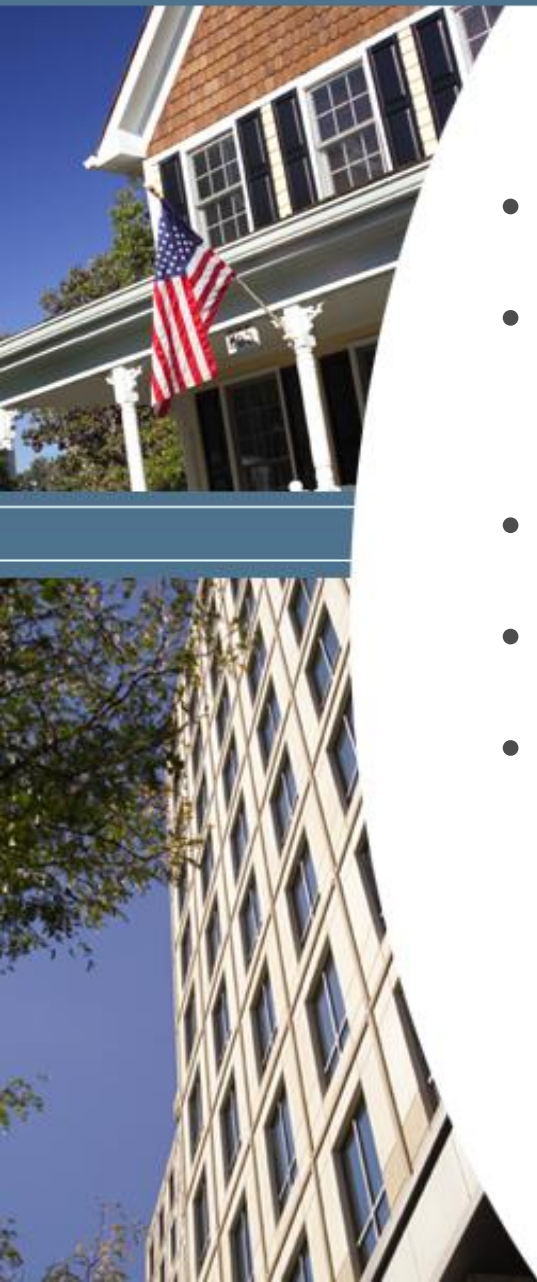
## Loan-to-Value Limits for Cash-Out Refinances

- If a homeowner is pursuing a cash-out refinance
- And the loan balance, exclusive of FHA's upfront mortgage insurance premium, will exceed \$417,000
- The loan-to-value may not exceed 85 percent of the appraiser's estimate of value.

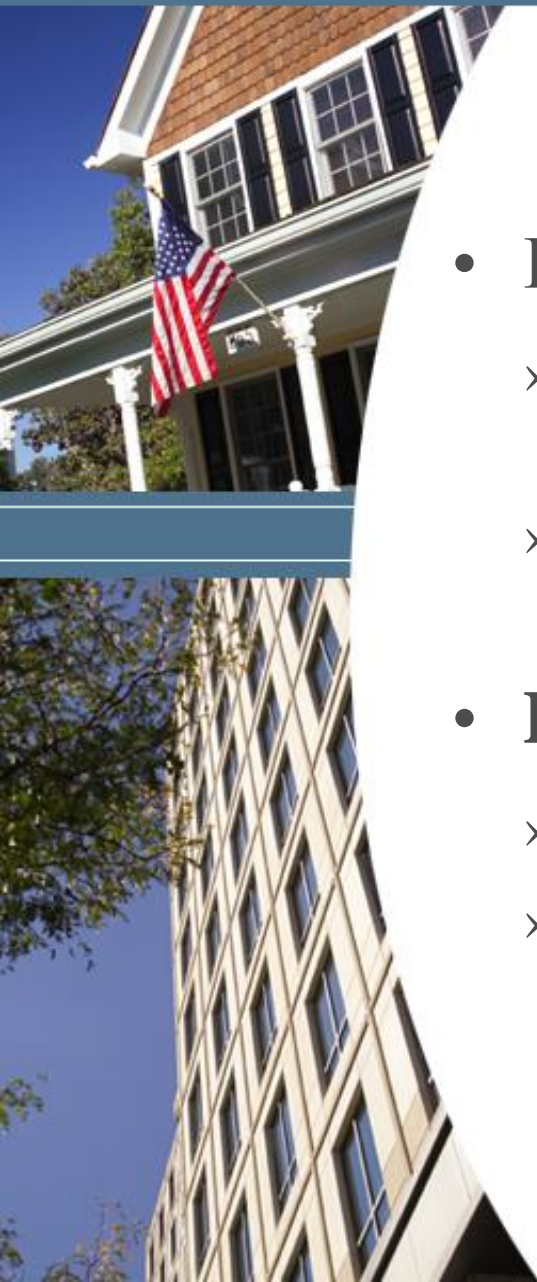


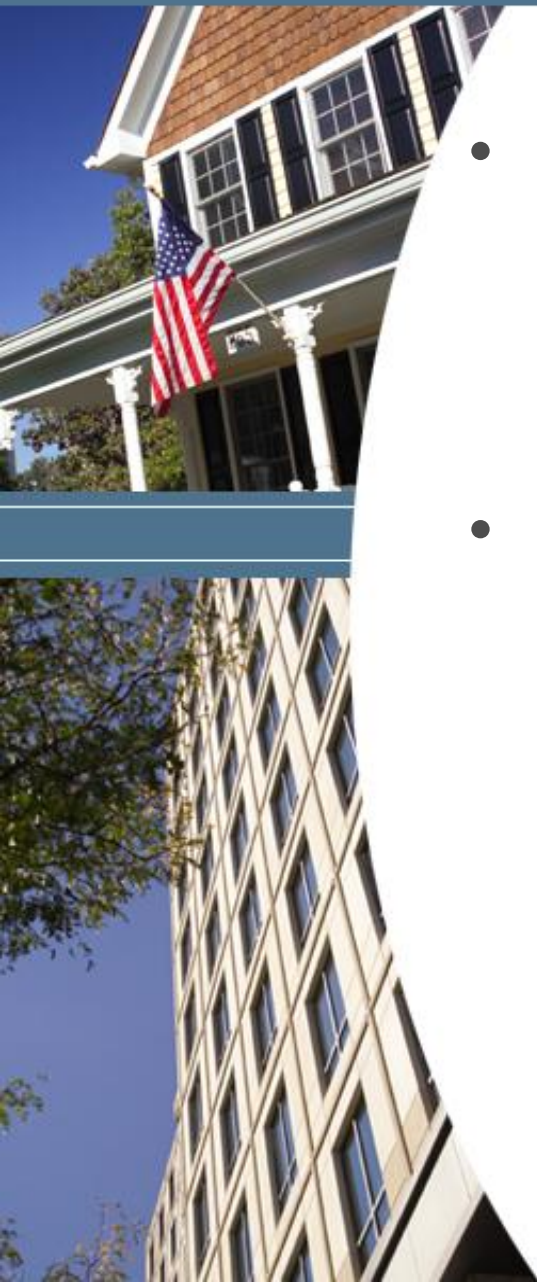
- **FHA Modernization**  
**Expanding American**  
**Homeownership Act of 2007**

# FHA Modernization - Status

- 
- Passed the full House September 18, 2007
  - Passed the Senate Financial Services Committee September 19, 2007
  - Passed the full Senate December 14, 2007
  - Revised Senate version passed April 10, 2008
  - Next Steps
    - House to review/vote on Senate revision
    - Passage of final bill by both House & Senate
    - Signature of final bill by President

# FHA Modernization

- 
- **Increase FHA's mortgage limits**
    - » **132% of conforming limit – high cost areas (Senate version as revised)**
    - » **175% of conforming limit – high cost areas (House version / Economic Stimulus Pkg 2008)**
  - **Down payment**
    - » **Zero down - 1<sup>st</sup> time homebuyers only (House)**
    - » **1.5% down with 100% CLTV cap (Senate)**

- 
- **Loan Term**
    - » **Increase the max loan term to 40 years (House)**
    - » **Retain existing 35 year max loan term (Senate)**  
Note Bene: 24CFR203.17(d) limits max term to 30 years
  - **“Higher Risk” Borrowers / MI Premiums**
    - » **Directs new underwriting standards for borrowers with FICO scores below 560 (House)**
    - » **2.25% UFMIP - “Standard Risk Mortgage”**  
**3% UFMIP - “Higher Risk Mortgage” (House)**
    - » **First time homebuyers pay 3% UFMIP or 2.75% with homeownership counseling (Senate)**



## Annual Audit Requirement for Mortgage Brokers

- House version only (H.R. 1852)
  - Would permit Secretary to allow mortgage broker to post surety bond (\$50,000 to \$100,000) in lieu of providing annual audited financials to support net worth

**(Removed in Senate revision with House concurrence)**

## Home Equity Conversion Mortgage

- Annual review of endorsement volume cap
- Sets a uniform national loan limit (100% FHLMC)
- Permit seniors to purchase property with a HECM
- Implement a maximum origination fee at 1.5% of maximum claim amount
- Require the GAO to undertake a study of the HECM program and report back to Congress

## Condominiums

- **Individual condominium unit treated as single family (203b) residence**
  - » **Eliminates prescriptive project approval standards**
  - » **Lender Certification is the ultimate goal**
- **Allow for manufactured housing in condominium developments**

## Goal: Implement provisions expeditiously

- **Simpler provisions = “quick” implementation**
  - » **Loan limits (30 – 60 days)**
  - » **Down payment (60 days)**
  - » **Change in Loan Term (60 – 90 Days)**
- **More complex changes = additional time**
  - » **Condos (90 – 120 days)**
  - » **Co-ops (90 – 120 days)**
  - » **HECM for Purchase (90 – 120 Days)**
  - » **Housing Counseling (120 – 180 Days)**
  - » **Non-Traditional Credit *Pilot* (120 – 180 Days)**



# Government Housing Programs



# VA

## Home Loan Benefits Program

# Veterans Administration

- VA Home Loan Benefit for eligible veterans provides zero down payment financing.
- VA Guarantees up to 60% of the loan amount
- Secondary market drives the maximum loan amount by requiring a minimum 25% guaranty from VA
  - » Initial entitlement will be 25% of Freddie Mac limit of \$417,000
- Lenders must be approved by VA to originate and underwrite. Some loans still require VA approval.
- A separate approval is required to underwrite the appraisal: Lender Appraisal Processing Program (LAPP)

# VA Advantages

- No funds required from the borrower
- Borrower qualifies on a residual income calculation and debt ratio guideline of 41%
- Veterans pay a funding fee of 2.15% for a purchase that is financed in the loan amount (national guard/reservists 2.40%)
  - » .5% for Interest Rate Reduction Refinance
  - » 3.30% for subsequent use
- VA regulates the charges the borrower can pay



Government Housing Programs



# USDA RHS

Rural Development Program

# Rural Development

- RD Guarantees the loan up to 90%
- Eligible areas have a population of 10,000 or less. Some towns and cities are eligible with 10 – 25k.
- Up to 102% of the appraised value
  - » SFHGLP - 115% median income requirement
  - » 502 Direct – most below 80% median income
- Refinance of existing SFHGLP and 502 Direct Loans
- Guaranty fee of 1.5% for purchases and .5% for a refinance
- Lenders FHA/VA /FCS or GSE approved can be approved for RD loans.

# RD Underwriting

- Guaranteed Underwriting System (GUS) available to approved lenders
- Income eligibility based on number in household,
  - » Child care expenses and qualifying elderly family or disability medical expenses can be deducted
- Borrowers not otherwise eligible for conforming or FHA /VA financing
- No limit on seller contributions
- 620 credit score qualifies for streamline processing documentation.



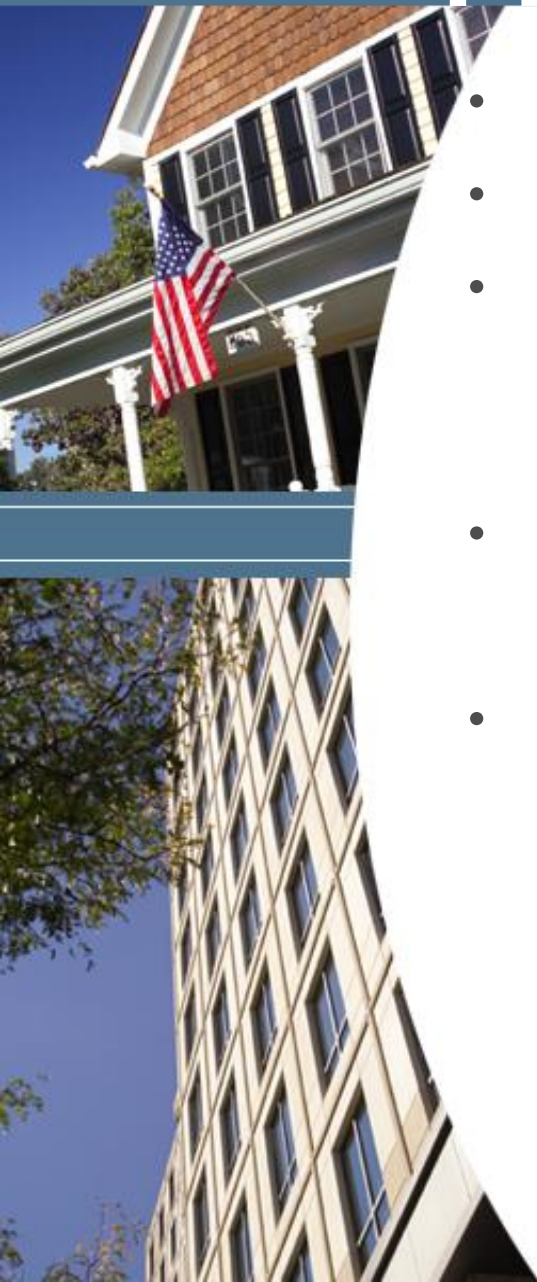
# Government Housing Programs



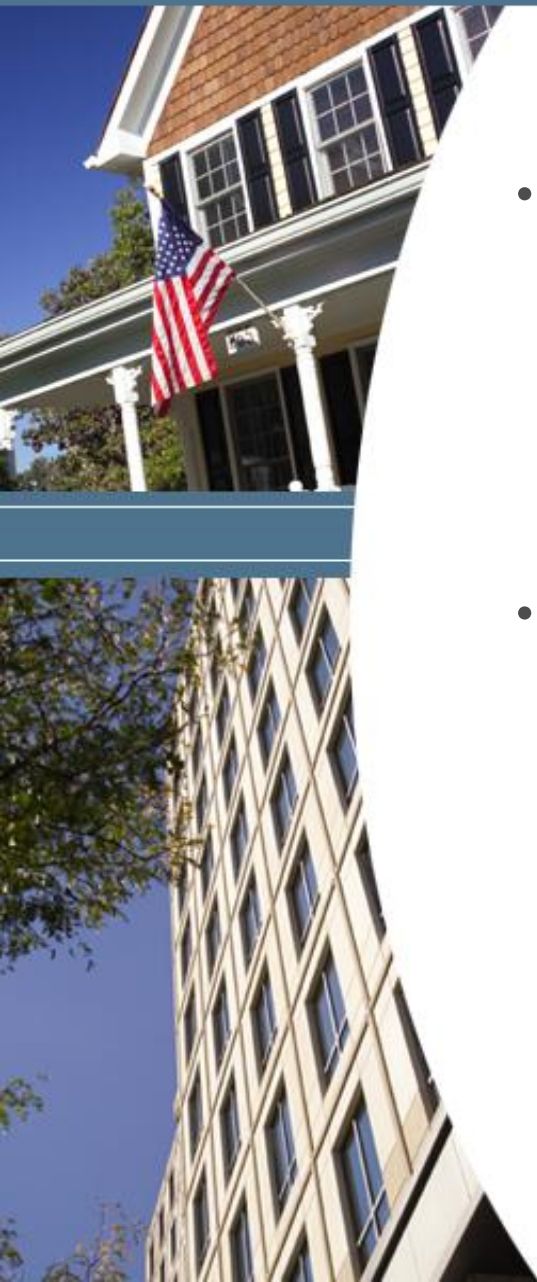
# FHA

## Compliance And Legal Issues

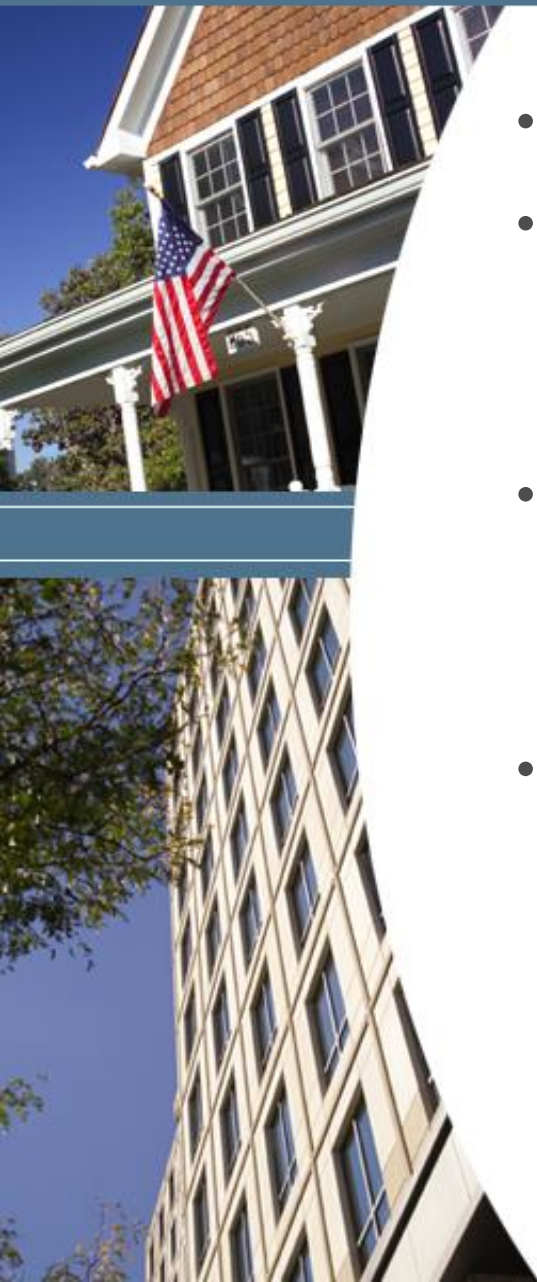
# FHA Approval

- 
- Supervised Mortgagee
  - Non Supervised Mortgagee
  - Loan Correspondent
    - » Supervised
    - » Non supervised
  - Investors/Government Agencies/Non Profit
  
  - Key Issues:
    - » All companies must have an FHA approval before originating FHA loans
    - » FHA refers to an approved broker as a loan correspondent
    - » Originators and underwriters must be employees

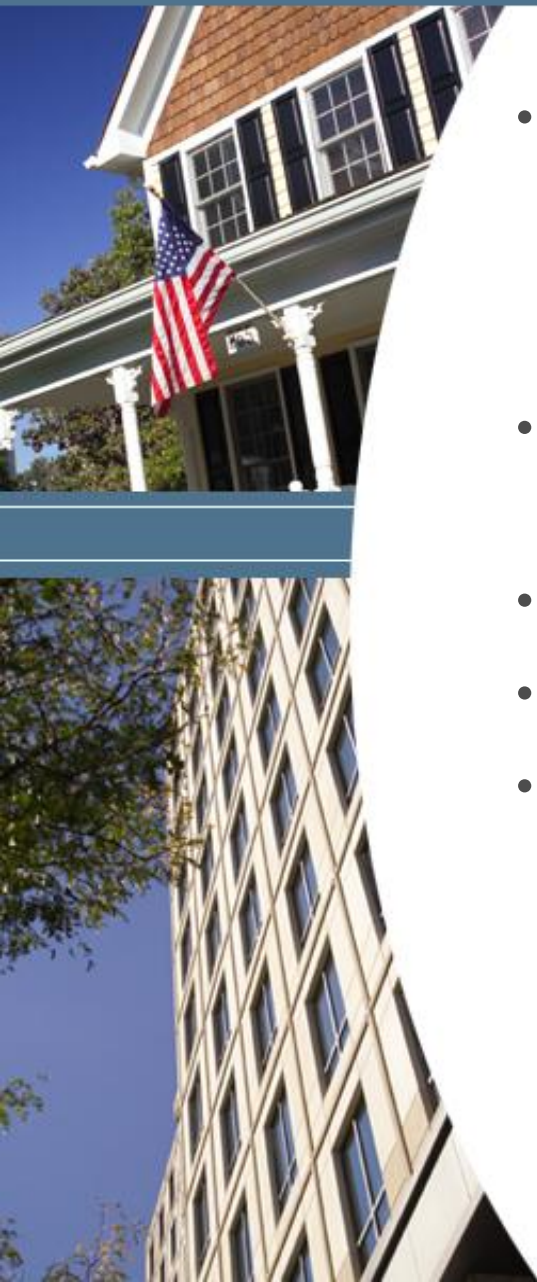
# FHA Operations

- 
- Transition from loan correspondent (mini-eagle) to supervised/non-supervised lender (full eagle)
    - » Warehouse line and post closing management
    - » Insuring operations
  - Level of underwriting risk a smaller/mid sized lender can balance versus larger lenders
    - » Compare ratio risk
    - » Repurchase/indemnification risk

# Common Legal Issues

- 
- Get it in writing and watch your resources!
  - FHA requirements for lenders can't be waived
    - » i.e.: DE underwriter signatures/authority
    - » i.e.: New construction documentation
  - Contractual considerations between branches and holding/parent company
    - » i.e.: net branches
  - Contractual considerations between brokers and wholesalers or entities utilizing principal/agent relationships

# Common Compliance Issues

- 
- Inadequate quality control execution
    - » 10% of FHA closed loans and 10% of FHA denials
    - » Management response
  - Lack of or inadequate response to NOR or PETR reports of unacceptable loans
  - Pricing policies
  - Processing forms
  - Specialized areas such as:
    - » New construction
    - » Condominiums
    - » 203k/HECM