

HOPE for Homeowners (H4H)

Program Overview

Meg Burns

Director, Single Family Program Development

Overview

- Features
- Equity and Appreciation Sharing
- How H4H Works
- Benefits and costs
- H4H v. FHA Secure

H4H Features

- 30-year fixed rate mortgage
- Max 90% LTV of new appraised value
- Extinguishes all existing liens
- Loan limit of \$550,440 nationwide
- 3.0% UFMIP and 1.5% Annual MIP
- One unit properties only
- Available 10/1/08 through 9/30/11

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

Previous Mortgage - Eligibility

- Existing mortgage payment DTI >31
- Originated on/before January 1, 2008
- Prime, Alt-A, Subprime, FHA, RD, VA
- Fixed rate or ARM
- Current, delinquent, foreclosure, bankruptcy

Qualifying Property

- Principal and only residence; cannot own other residential real estate
- 1 unit properties only
- All property types – condos, MH, coops
- 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)

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
- Borrower can extinguish equity note through refinance

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 through sale only

How Program Works

- Servicers => Borrowers
 - Easiest
 - Most likely to be successful
- Borrowers => Servicers
- Counselors => Borrowers => Servicers
- Originators => Borrowers
 - Most difficult
 - Least likely to be successful

Lender Considerations

Costs vs. Benefits

A) Losses compared to:

1. Foreclosure
2. Loan modification
3. FHASecure

B) Transaction Costs / Unique Procedures

1. Specialized certifications/disclosures
2. Waiver of prepayment penalties/default fees
3. Trial modifications

C) Borrower Eligibility

Lender Considerations

Costs vs. **Benefits**

A) Potential for Reduced Losses

B) Liquidity

C) Recoveries

1. Subordinate lienholders entitled to portion of shared appreciation
2. Primary lienholder may “purchase” shared appreciation rights from subordinate

Example

| | |
|----------------------------|------------------|
| Existing Loan Balance(s) = | \$150,000 |
| Primary Lien = | \$130,000 |
| Subordinate lien = | \$ 20,000 |
| Current Appraised Value = | \$120,000 |
| H4H Loan Amount = | \$108,000 |
| Loss = | \$ 42,000 |

Transaction Costs:

3.0 UFMIP = \$3240

Other Fees (2% - could be higher) = \$2160

Total Losses = \$47,400

Borrower Considerations

Benefits

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

Costs

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

H4H vs. FHA Secure

| Criteria | HOPE for Homeowners | FHA Secure |
|---|---|---|
| Eligible Loan Types for Refi of Delinquent | <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • 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) |
| Loan to Value | Maximum 90% Cannot include pre-pay penalties or late fees | 97.0% (Standard FHA LTV) May include pre-pay penalties and late fees |
| Property Type | 1 unit properties only | 1-4 family properties |

H4H vs. FHA Secure

| Criteria | 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 | 3.0% (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: FHA

- Educate and train on policy
- Monitor loans
- Enforce statutory requirements

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

Roles: Consumer Advocates

“First Responders”

(Faith-Based Organizations, Consumer-focused Nonprofits)

- Provide information
- Direct troubled borrowers to counselors