

MORTGAGE BANKERS ASSOCIATION

**MBA'S NATIONAL MORTGAGE
SERVICING
CONFERENCE & EXPO 2009 / TAMPA**

Servicing Government Loans:

FHA UPDATE

February 18, 2009

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Director, Office of Single Family Asset Management



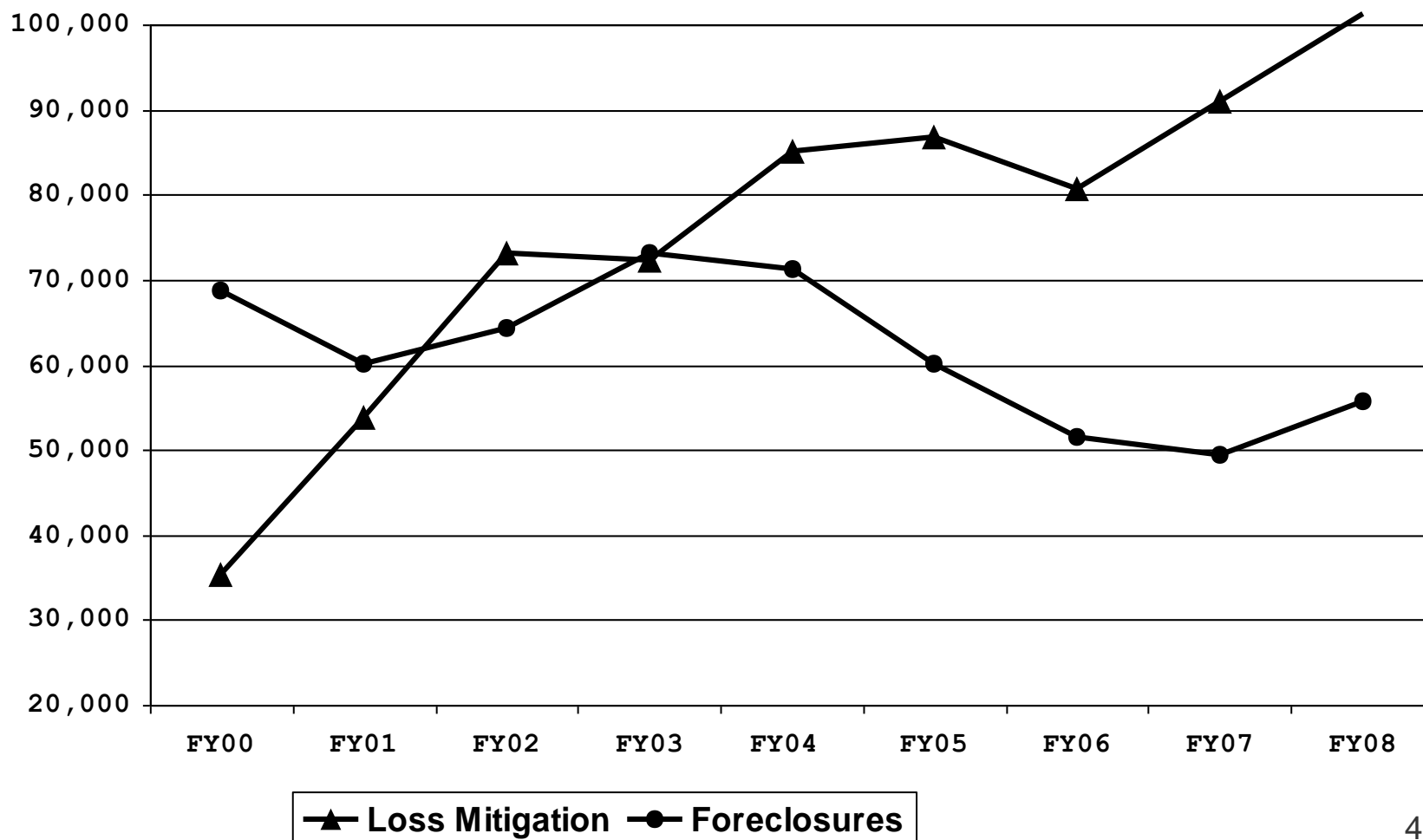
Servicing Update – New Mortgagee Letters

- **2008-27** - Treble Damages for Failure to Engage in Loss Mitigation
- **2008-31** - Update of Preservation and Protection Guidelines, and Cost Schedules
- **2008-38** - Clarification regarding borrower's recourse for repayment of HECM loan debt and termination of a HECM mortgage

Loss Mitigation – Workout Ratio Stable and Loss Mitigation Claims Increase

	Loss Mitigation Data as of Dec 2008				
	Total Retention Tools	Total Non Home Retention Tools	Total Loss Mitigation	Foreclosed Upon	Workout Ratio
FYTD 09	28,143	1,434	29,577	14,572	66.99%
FY 08	96,482	4,685	101,167	55,699	64.49%
FY 07	86,527	4,480	91,007	49,336	64.85%
FY 06	75,528	5,244	80,772	51,574	61.03%

Loss Mitigation Actions Compared to Foreclosures



Loss Mitigation Success Rate

FHA Single-Family Insurance				
Re-Default and Claim Rates After Loss Mitigation Loan Workouts				
Year of Initial 90-day Defaults Subsequently Cured with FHA Loss Mitigation Tools	Re-Default Rate	Claims Within One Year of Cure	Claims Within Two Years of Cure	
2004	32.8%	9.3%	14.1%	
2005	31.4%	7.8%	12.6%	
2006	32.4%	6.2%	9.6%	
2007	30.9%	5.3%	-	

Source: US Dept of HUD; Defaults are defined as 90-day delinquencies; Re-defaults are new 90-day delinquencies reported within 12 months after curing the initial default; Cures involve use of FHA loss mitigation tools by loan servicers; Insurance claims arise primarily from foreclosure actions.

Loss Mitigation Incentives Income Earned by FHA Servicers:

- **Over \$50 million in FY 2007**
- **Over \$58 million in FY 2008**

Loss Mitigation	Tier 1	Tiers 2-4
Special Forbearance	\$200	\$100
Loan Modification	\$500	\$500
Partial Claim	\$750	\$750
PFS	\$1,000	\$1,000
Deed-in-Lieu	\$250	\$250
PFS Time Allowed	5 months	3 months
FC cost reimbursement	75%	66%

Asset Management Updates

Loss Mitigation Update – New Mortgagee Letters

- **2008-21 - FHA Loss Mitigation Updates**
 - » Allows foreclosure costs to be included in Loan Modifications and Partial Claims
- **2008-32 - FHA Loss Mitigation During Bankruptcy**
 - » Lenders to communicate with both the Bankruptcy Trustee and the mortgagor's attorney to determine if the mortgagor is eligible for loss mitigation
- **2008-43 - Pre-Foreclosure Sale Program changes**
 - » Streamlines paper work, eliminates 63% debt/value ratio, allows for the sale of damaged properties, changes the minimum net return, and adds servicer accountability for accuracy of appraisal

Asset Management Updates

FHA Provides Free Formal Training

- <http://www.hud.gov/offices/hsg/sfh/nsc/training.cfm>
- Loss Mitigation and Servicing
 - ✓ Quarterly Comprehensive Training
 - ✓ Upon Demand by Certified Trainers
 - ✓ Web Based Interactive Training – to roll out March 1, 2009
- Default Reporting, Data Reconciliation, and Measuring Performance
 - ✓ Quarterly Comprehensive Training
 - ✓ One on One Training – as deemed necessary

2009 Early Delinquency Servicing and Loss Mitigation Training in Oklahoma City

Training Dates	Registration Deadline
May 13-14, 2009	May 6, 2009
August 19-20, 2009	August 12, 2009
Most classes reach capacity before the registration deadline! See http://www.hud.gov/offices/hsg/sfh/nsc/training.cfm	

2009 Delinquency Reporting, Portfolio Reconciliation, and Measuring Servicing Performance in Oklahoma City

Training Dates	Registration Deadline
April 15, 2009	April 8, 2009
July 15, 2009	July 8, 2009
September 15, 2009	September 8, 2009
Most classes reach capacity before the registration deadline! See http://www.hud.gov/offices/hsg/sfh/nsc/training.cfm	

Asset Management Updates

M & M III Update: Major Changes

- Elimination of Exclusive Contract Areas
- Unbundling of Services
- To be awarded using GSA Schedule
- Expected 1st Award date: June, 2009

Asset Management Updates

Contact Information -

- **FHA Resource Center – 1-800-CallFHA**
 - For consumers with questions about home buying, mortgage loans, HUD homes, etc.
 - For industry partners with questions about FHA loan products, processing issues, mortgage credit and/or property analysis guidelines, using FHA Connection, etc.
- **NSC Help Desk – 1-888-297-8685**
 - Servicing and Loss Mitigation Policy Guidance, Training
 - Hsg-lossmit@hud.gov
 - Default Reporting Guidance; Credit Alerts for Defaults and Foreclosures; Case level data issues
 - SFDDataRequests@HUD.GOV
 - Preservation and Protection 3rd Appeals