Final Transcript

HUD-US DEPT OF HOUSING & URBAN DEVELOPMENT: FHA Update for Housing Counselors

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SPEAKERS

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Nancy West
Ginger

PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by and welcome to the FHA Update for Housing Counselors Conference call. At this time all participants are in a listen-only mode. (Operator instructions.) As a reminder this conference is being recorded.

I would now like to turn the conference over to your host, Ms. Virginia Holman. Please go ahead.

Virginia Thank you and good afternoon everybody, and welcome to today's really important webinar, another in the continuing series by the Office of Housing Counseling. Today you're going to look at updates on the FHA programs. But before I turn it over to our presenters, I'd like to go over some logistics slides, so if you can go to the next slide. Angie, is the slide moving?

Angie Yes, Virginia it did move.

Virginia	Okay it's not showing as moved on my screen. Jane, can you see the logistics slides?
Lorraine	No, this is Lorraine, no. We're still on the first slide.
Virginia	Okay. As you can see, folks, we're having a few technical difficulties today.
W	Okay, if you want, I'll go ahead and take over the logistics and then turn it over to Lorraine.
Virginia	Yes, but nobody is able to see your slides.
Lorraine	Those slides aren't showing up on the presentation. We still just have the first slide up.
W	Okay, this is questions for attendees. Can I get a few people to answer, are you seeing the slide that says Webinar Logistics? If you could please type that in the chat box or the question box, Yes, then we'll know whether you're able to see.
W	No, everyone is saying no.
Virginia	No.
W	Okay, let me turn the presentation over to Jane and we may be able to advance it that way. Jane, do you have it?
Jane	I'm sorry I don't have the presentation.
W	Okay, that's fine.
Virginia	Can you email it to her?
W	Yes, let me do that.
Virginia	Here it is, now it's active.
W	Okay, all right.
Virginia	Okay.

W Go ahead, Virginia.

Virginia Okay, now we'll get into the logistics and again thank you for your patience. As the operator said the audio is being recorded. We will be posting a playback number along with a brief PowerPoint and a transcript on the HUD Exchange page for Housing Counseling. We'll send out a LISTSERVE message when those are posted. All your lines are on mute and you were sent a short PowerPoint this morning. It's also available in the control panel. You just click on the document name. You can download it to your computer. Next slide.

And we've got one polling question at the beginning and we will not be taking questions over the phone, but we're going to give you other opportunities to ask. Next slide.

On the panel on the right-hand side of your screen there's a box when you all found it when you answered the question, No, just type in your question. We will be monitoring those questions and giving them to Nancy and Lorraine as appropriate. If, after the webinar is over, you have continuing questions, please send them to housing.counseling@hud.gov. We don't want the poll open at this point. Jane, who opened the poll?

Okay. You'll be getting a survey at the end of the webinar. Please fill it out because your input is important to us as we continue to improve our webinars and other training. You will also get within 24 to 48 hours a brief email from me and go to webinar, which is going to say that there is a certificate of training. That email in fact is the certificate. There'll be no attachment, so print it out and save it for your records.

At this point I'd like to turn it over to Lorraine Griscavage-Frisbee, who's the Deputy Director of the Office of Outreach and Capacity Building for the Office of Housing Counseling. Lorraine?

Lorraine Great, thank you very much, Virginia, and again, folks, my apologies on our technical difficulties. Ever since we switched to a new and improved software on our computer systems, we've been having challenges, so we don't know if it's the new system or the operator is having difficulty learning the new system, but anyway, thank you very much, everyone, for taking time out of your busy day to attend this important training on FHA.

And I just want to give you a little bit of background why we're covering FHA; and one of the reasons is this is a result of feedback we received from you. Last year, and we try to do this every year, we had a stakeholder's webinar on training and as part of that webinar we asked you what other topics besides housing counseling topics you would like training on. And understanding FHA single family programs was one of the most o selections as a result of that training and the feedback you provided us, so we're very happy to be able to accommodate your training requests on this.

And before we get started, we did have a poll and it looks like everybody already answered that polling question, so we were just curious to know what our audience composition was and it's terrific to see that the majority of you that are attending this are involved in pre-purchase counseling and home buyer education, because understanding FHA is really critical for that. It's also extremely important for loss mitigation and mortgage default. Now we really won't be talking too much about loss mitigation today. The National Servicing Center does have available an online training that is free on FHA's Loss Mitigation Program; and we encourage everyone to look at that for more information on the Loss Mit relating to FHA.

Okay, before I turn it over to our guest speaker, I just wanted to, next slide please, I just wanted to take a minute to remind everybody why it's so important to go ahead and understand not only FHA, but all the loan products that are available in your community for your clients. Go ahead to the next slide please. There we go.

We all have the same goal and that is to be able to provide our clients with the most accurate information and to be able to tell them what different loan options are there and what the benefits are for the client under each of the different loan products. So it's really important to understand FHA and as well as other products that are in your marketplace and it's good to explore and look for understanding how FHA is changing, because over time—they just had some major revisions with their handbook, which our guest speaker will talk about. And they'll also tell you where you can continue to get updates on FHA mortgages. And lastly it is a handbook requirement. When you discuss any mortgage program options, you need to include FHA in those discussions and we encourage when you do so that you put these in your client activity notes or your client logs and you can say that you discussed various mortgage programs including FHA.

So again, thank you very much for bearing with us as we got our technical difficulties straightened out. And now I would like to turn it over to

Nancy West. I have trained and I've listened to Nancy West for over ten years. She is a housing program officer with the Santa Anna Home Ownership Center. You're in for a real treat. She's an FHA expert and she is a dynamic presenter, so with no further ado, I'm going to turn it over to Nancy.

Nancy Thank you, Lorraine, and thank you, Virginia, for arranging and coordinating this webinar today to provide updates on FHA programs and good afternoon, everyone. I'd like to start off with thanking you all for attending today's webinar. The department would like to thank you for taking time out of your day to do this. It's important that we provide you with updates because you work with consumers and the public all the time and to provide you with them most current information that we have.

So what I'd like to talk about are the key goals for both HUD and FHA and that's to strengthen the nation's housing market, to bolster the economy, and to protect consumers, all of which you do, to meet the need for quality, affordable rental homes, which you assist with as well using housing as a platform to improve the quality of life and building strong resilient and inclusive communities. As housing counselors you do all of that. You help us to meet our goals as well.

And with that I'd like to talk about some numbers, national numbers. I don't have some specifics, but I have the most important ones I think that you need to know today. As of the end of May, current fiscal year—so our fiscal year runs from October 1st of the prior year, so from October 1, 2015 through September 30th of 2016. So we are currently halfway through the year. And halfway through the year so far FHA has endorsed a little over a half million forward mortgages for purchase. That's forward mortgages only, not the reverse, not the home equity conversion mortgage, so total purchases that FHA has endorsed is a little over a half a million.

With that 76% of those forward mortgages for purchase went to first time home buyers, so we're really proud of that number because that is FHA's mission it's to promote home ownership to first time home buyers, low to moderate income home buyers, so we are meeting our mission; and you as counselors providing that pre-purchase counseling are helping in that effort as well. Of the 76% that are first time home buyers, 36% of those folks are minority first-time home buyers, so again, you're helping us to achieve our mission and we appreciate that. And those are national numbers.

Nationally the department has endorsed a little over 33,000 reverse mortgages. The Santa Anna Home Ownership Center, which oversees the eight Western United States actually leads in that, which is not really surprising, because we do have areas that people want to retire to, Arizona for example, a lot of retirement folks Nevada, so our jurisdiction really drives the numbers as it relates to reverse mortgages. Plus there's a cultural difference, East Coast to West Coast, on that. A lot of folks on the East Coast, which is where I'm from originally even though I'm in California now, I was born and raised on the east coast, the mentality is a little different. People are born in a home. They live in that home. They die in that home and they want to leave that home for their children.

Out here we're a little bit more transient on the West Coast and people have the philosophy out here I'm not leaving my house to my kids, I'm going to spend my money. So they use the reverse mortgage as part of that, but the first mortgage is a great program to help people remain in their home that want to remain there. It's a supplement for other needs. We have areas of the country for example I'll go back to the East Coast where people can't afford their oil to heat their homes in the winter. The reverse mortgage could supplement that need. Out here in the West it gets so hot in areas that they can't afford air conditioning and then dying from heat exhaustion. The reverse mortgage is to help them stay in their homes. You have folks that maybe need to go into a nursing home facility or a nursing care facility, but can't afford it. But they have all this equity in their home and that's an option to be able to use that equity to keep them in the home have help come in rather than put them into a care facility.

So those of you that are reverse mortgage counselors we appreciate your efforts in that and that's certainly something that we need to make older people aware that this is available to them.

The next thing I want to move onto is the new handbook. Our new handbook was published in September of 2015, when it's final and complete, and there are two sections still remaining that need to be completed. And one of those is the reverse mortgage, the Home Equity Conversion Mortgage section needs to be complete as does the Condominium section, so those are the only two sections that are not fully completed and incorporated. But what we did is in the new handbook, we have taken nine other handbooks as well as over 900 mortgagee letters, combined them into one complete, concise and comprehensive handbook.

So anybody, anybody, it's not just lenders, it's not just housing counselors, anybody that wants to know anything about FHA's programs, what our rules, guidelines, regulations are, it is contained in this handbook. So you can imagine that was a massive undertaking and that's why those two sections, those two sections that are not yet complete are due to rulemaking process. We're in the process of new rulemaking, federal rulemaking, and when that occurs, that takes time, so that's why those two sections have not yet been incorporated. The handbook, I've provided you, the link, where the handbook is online.

Now there are two ways you can currently access it. One is on our website with the PDF version. The other is to go—there's a link that will take you to an external website and I'm not sure how many people are aware, but there's a platform called AllRegs and AllRegs is now housing our handbook. For Fannie and Freddie for example Fannie Mae and Freddie Mac their handbooks are also on AllRegs, but certain sections of their handbooks are not available because you need a license; you need access to them. FHA because we're a federal agency our information all of our information is free. It's open to the public. It's available 24 hours a day 7 days a week 365 days a year and it's anyone's, so it's consumer to industry counterpart.

We recommend that you use the online handbook as opposed to the PDF version. And the reason for that is the PDF version the online handbook is updated instantly. As soon as we post something new with regards to change of guideline, it immediately gets put in the online handbook. The PDF version it may take a day or two for it to update and eventually the PDF version will be taken down.

Also the difference between the PDF version and the online version is the page numbers don't match up, so if you're trying to reference something out of the PDF version, it's not going to match up with the online version. So we do recommend using the online.

There are some supplemental documents to the handbook, too, which for most of you on today's webinar, housing counselors are not necessarily going to need them. However it might be helpful because there's some supplemental documents that deal for example with the 203(k), with the rehabilitation loan, and the limited 203(k). Both rehabilitation loans some supplemental documents and that's where those are located as well, so they might be helpful. Generally not, but if you want to see how we require the lenders to calculate that rehabilitation loan, those documents are there to help you work through it as well.

With the handbook we have training modules. Now let me step back a bit. When the new handbook was published in September of last year, we as HUD FHA staff asked what's changed, what's new from all the old handbooks to the new handbooks; and there were some changes. For example on the appraisal side, the original handbook said that the appraiser should; the new handbook says the appraiser must, so there was some terminology changes. We asked as staff will you headquarters provide us with those changes, so we're alert to them just so we know where they are. And the response back to us was you need to read the handbook from start to finish, so when someone asks me what are the changes, my response to you is going to be you have the read the handbook.

However we've made it easy for you because we have these prerecorded training modules that cover the handbook from start to finish. And what we've done and it's going to sound very boring, what we've done is we have literally read you line for line word by word the entire handbook. Now while that sounds boring as heck because I get it, I wouldn't want some book read to me either. We'd actually given you examples, so it's not so boring. As we're presenting, we're explaining to you why and how and how it works, so it's not as boring as just sharing word for word line through line.

I recommend for the housing counselors and anybody else on today's webinar probably what's going to be most important to you as it relates to counseling are modules 8A, 8B, and module 9. So 8A talks about our programs and products as it relates to refinance; 8B talks about the energy efficient mortgage, the 203(h), the disaster victims' mortgage. I know many of you in the country have been experiencing national disasters. FHA has a program under the mortgage for disaster victims where we can provide—it's the only program we have where someone may be eligible for up to 100% financing. It talks about our adjustable rate mortgages, new construction, construction to perm, weatherization. There's a lot to it, so that program really gets into the nuts and bolts of these specialty programs. Module 9 covers the 203(k) and limited 203(k), the rehabilitation loan.

Now I will tell you we are issuing an update to the handbook on June 30th. The modules at the same time will be updated, so the day the release of the updated handbook comes out some of these modules not all of them because not everything has changed, but some of them will be updated. I will tell you that a module I believe module 4 is being updated. There's module 6 is being updated. Module 8B is updated. I believe maybe, maybe not module 9, so my recommendation really is if you want to have the absolute most current of everything including the updated handbook, wait until June 30th to listen to them.

Also if you listen to them, you may recognize a voice on one of those modules and I hope you enjoy the examples. For anyone and everyone on this webinar your number one points of contact when you have a question regarding an FHA program. Let's say you looked at the handbook. You're still not understanding. Maybe you need some clarification. Your number one point of contact is our Resource Center, the 1-800-CALLFHA.

Now we here and we within HUD FHA work with the call center on a regular basis. We want to make sure that you're getting the best answer and the most accurate answer, so we do work with them. Now I hear all the time because I'm out doing training in the eight western United States and I hear on a regular basis that Nancy I've called the call center three different times and I've gotten three different answers. And I will tell you there are times that I'll give you three different answers. It's all in how you ask the question.

I'll give you an example. I was at a convention and someone came up to me and said, Nancy, I have this borrower and my underwriter, this is the situation and my underwriter is telling me absolutely no way. And they say I thought it was okay. I got this FHA guideline. And I say yes it sounds like you did, did you do this and this and this. No, I can do that, though. And I say go back and do it and take it back to your underwriter. It sounds like it might work.

The person came back to me about a half hour later and said remember that loan I was telling you about. I forgot to tell you this. And once they told me now this, I then say there's no way. There's nobody in this world that's going to make that person a loan. And they go away of course dejected and they came back to me the next day and said did I tell you, Nancy, that their child died last year. Does that make a difference? And now all of a sudden I have this extenuating circumstance and heck, yes, this definitely sounds like it's eligible for FHA.

So you see you've asked the question three different ways. You've posed the question three different times. Therefore I've now given you three different answers, maybe, no and yes. So when you call the call center, this is our recommendation. Right before you call, write down the question. Write down the way you're going to ask it. When you call the call center, ask it the way you have it written down. If you're not comfortable after thinking about it more and decide to call the call center again, ask it the same way that you have it written down to begin with; and in all likelihood you will get exactly the same answer you got the first time.

You can also email your question and they will respond to you via email. If the call center is not able to answer the question, what ultimately happens is it is elevated to the appropriate home ownership center. So if you're out of Arizona, it's going to be forwarded to the Santa Anna home ownership center. If you're in Louisiana, it's going to go to Denver's home ownership center. If you're in Florida, Atlanta, and New York, for example it will go to Philadelphia, so it goes to the appropriate home ownership center. Someone within the home ownership center is going to provide the answer.

Now a lot of people want more than just the answer that's shown in the handbook. We don't do that. We don't answer scenario questions. Ultimately it's the direct and/or the lenders the FHA-approved lenders direct endorsement underwriter that's going to look at the file, look at the facts in the file and make a decision based on our rules, regulations and guidelines based on those facts. FHA does not underwrite loans. We don't approve loans. We don't fund loans. You all know as counselors we insure that mortgage and we insure that mortgage 100%.

Finally the other point of reference for you for resources is our frequently asked questions page. Now I will tell you that we don't always speak street language, so we don't speak mortgage language entirely. An example, I was looking for something recently in our frequently asked questions page. I use our frequently asked questions page a lot. It's a lot easier sometimes than using the handbook or I'm not sure where it is in the new handbook, because before I knew where everything was. Now I'm little lost at times, too, so if you use the frequently asked questions page, what happens is when you scan through the questions and find the one that pertains to something that you're inquiring about when you open it up for the answer, it tells you exactly where it is in the handbook.

But again, we don't necessarily speak your language. For example I was looking for something on second mortgages related to second mortgages and combined loan to value, so I typed in second mortgage and it comes back with zero results found. And I'm thinking to myself this doesn't make any sense. I know FHA allows for second mortgages, so I then thought it's a junior lien and I typed in junior lien. No, it doesn't come up. So I'm thinking so what's our terminology because I actually came from your side of the street. For my entire career up until the last ten years I was on the other side. I was on the lender side and I did a variety of things on that side.

And I'm thinking what is our terminology, so I typed in mortgage. I just simplified it, one word. Sometimes less is more, so I typed in mortgage. Then I figured sooner or later I'm going to see what I need, so I typed in mortgage and it came back with 50 questions, people had submitted questions and they're really easy to scan. It's very easy to scan those questions and there is was. It reads secondary financing. The question came in regarding secondary financing, so you see it didn't say mortgage anywhere. It didn't say second mortgage anywhere. It said secondary financing. There it is, so I opened it up and I was able to find my answers. So sometimes when if you type something in where you're in our frequently asked questions and you come back with zero results found, play around with the terminology and again less is more.

If you want to save time on FHA information, I highly recommend and counselors I absolutely recommend that you sign up for FHA info emails. Now remember when Office of Housing Counseling when we were all together under FHA, we had the FHA LISTSERVE. I'm sure you're all aware of that. And then when Office of Housing Counseling became their own agency with their own division within HUD, they now have 40,000 counselors a separate email notification to keep you apprised of what's going on in the Office of Housing Counseling in all things housing counseling.

We on the FHA side now have what's called FHA info emails. Now while this bullet point says that it's frequent email notifications, it's not frequent. What we're trying to do to eliminate people from getting a whole bunch of emails because we all get way too many, we're trying to do it once a week and generally on Friday's. Unless something very important comes out, you'll only see an email from us on Friday.

So with all that done, now I want to talk about a few things really drill down specifically to Housing Counseling counselors. The first thing I want to talk about is FHA's mortgage insurance premium. It's real easy to send someone to someone else because there's this thought that if someone gets an FHA-insured mortgage, they're going to pay and upfront mortgage insurance premium. Further if they put 3.5% down, they're going to have to carry FHA's monthly mortgage insurance premium for the life of the loan.

We need to have a different thought process and there's a variety of reasons for that. I know that on Fannie Mae and Freddie Mac the mortgage interest premium will drop off after a certain period of time just like it used to on FHA-insured mortgages. Now it runs again for the life of the mortgage if someone only puts down 3.5%. There's really some benefits to an FHA-insured mortgage that you don't have with those other programs. The first is that you all know as counselors that if a borrower on an FHA-insured mortgage experiences a hiccup in their life, a problem in their life where they're unable to make that mortgage payment, maybe they've broken their leg. They're going to be out of work for three months. They're back to work. They're able to make the mortgage payments, FHA requires that servicing lender to work with the borrower to get them back on their feet to keep them in that house and to make sure that they stay because our other mission is not just to promote home ownership, but it is to keep people in their homes.

Remember I talked about building equity, building wealth. That's how they do that by staying in that house. So the FHA mortgage insurance premium goes—it's an insurance policy. It's an insurance policy to help them out when there's a problem when there's a hiccup. That's what homeowners insurance is for. The house burns down. The homeowners insurance is going to help them out. Borrower has a hiccup in their life, FHA is going to make that servicing lender work with that borrower to keep them there and make them whole again.

The other thing is with an FHA-insured mortgage, the loan is fully assumable. It does take credit qualifying assumption, which means the new buyer must qualify from a credit standpoint and from an income standpoint. They have to just like the original borrower they have to show their ability to pay and their willingness to repay. FHA has a performing loan; they want that loan to continue to perform, so there's no appraisal requirement, but again, that loan is fully assumable.

And here's another benefit to the FHA-insured mortgage, the borrower that the individual assuming that FHA-insured mortgage is also granted those same loss mitigation options as the original borrower on the loan. It's a formal assumption. That new individual gets all those same benefits and all the loss mitigation options with them.

The third thing you need to think about is I don't know, I don't have an eight ball; I'm not a mind reader. I have no idea what's going to happen to interest rates, but I'm sure there's more than a few of us on today's webinar, I've been in the business a long time and probably too long at times it seems, but I can remember when first mortgage interest rates were as high as 18%. I'm not sure how long interest rates are going to stay below 4%. I doubt they'll stay there forever, but as interest rates rise, purchasing power goes down, because it takes more money to qualify an individual for the mortgage. But if someone has an assumable mortgage, it may be that the individual may be able to assume the FHA-insured mortgage and pay the difference to the seller.

When times like that happen, there are other things that come into play. There's things for example that are called gap financing. It fills the gap, a lien that would fill the gap, a mortgage or a loan that would fill the gap between the sales price and the assuming balance. It may be that the seller would carry back the secondary financing to sell that property and have that borrower assume that FHA-insured mortgage, so keep that in mind. Additionally as interest rates go up pushing purchasing power down, values come down, so it's a way to help stabilize housing values and housing prices as well.

There are only three assumable mortgages in the United States today: it's FHA, VA, and USDA. So, while Fannie and Freddie have going to eliminate the mortgage interest, they don't have the option of the assumability, so there are tradeoffs there. So those are things to consider, those are things to present when you're doing home buying education. It's important that people understand all of their options.

The next thing I want to talk about is secondary financing. As you know city, county and state programs that are providing that may be able to provide the borrower's minimum required cash investment of 3.5%. Any other entities such as HUD-approved nonprofits if they're approved to provide secondary financing may only provide if again it's not city, county or state programs may only provide additional down payment assistance. So the 3.5% would have to come from the borrower or an acceptable source such as a family member, a city, county or state program. But I want to give you an example and here's how you can combine programs.

So let's say we have the state of Minnesota has a down payment assistance program. I don't know whether they do or not, but they had a down payment assistance program and it's all state funds. Those state funds can be used to provide that 3.5%, so you have a borrower let's say that only qualifies for a $200,000 mortgage. You're working with someone. They only qualify for $200,000, so the state program provides the 3.5%, but that only brings that FHA mortgage down to $201,000. That's not enough. Your borrower the person you're counseling only qualifies for $200,000. That's all they could qualify for.

However if there's an acceptable down payment assistance program that's HUD-approved from a HUD-approved nonprofit, that nonprofit may have that additional $1,000 to provide to them bringing that FHA loan down to the $200,000. So you need to think about ways that you can work together with other organizations to help borrowers achieve that dream of home ownership.

The next thing that I want to talk about are student loans. When the handbook was originally published in September of last year, the publication showed that lenders had to use on student loans 2% of the outstanding balance as a payment calculation for qualifying the borrower. That is a tough, tough thing to do to get folks that are recent graduates even graduated a few years ago if they went to school to be a doctor and had a ton of outstanding student debt, so there were borrowers that were eliminated from ability to purchase.

We realize that was a mistake. We realized that it hurt people, so we did an update to the student loan calculation and we did that in I'm trying to remember when that was. It was in April of this year. It was mortgagee letter 2016-08 and by the way for those of you that don't know when FHA issues an update, they do it via mortgagee letter and we call it 1608, meaning the first two digits are the year it was published. The second two digits are the sequential order in which it was published, so it was our eighth mortgagee letter of 2016.

And what we're saying now is when you're working with a borrower that does have student loan debt for qualifying, the lender is required, so this will help you in knowing what the lender is going to look at. We require that the lender use 1% of the outstanding balance or the monthly payment as shown on the credit report, whichever is greater. Key word is greater. It's the greater of those two. Or there's a third option and that third option is the actual documented payment provided that documented payment was totally amortized over the term of the loan, so it may be worth getting the actual loan documentation on those student loans to help that borrower qualify. Or if someone says I'm in the process of consolidating them, you may want to get it because it may make the difference whether that borrower is going to qualify, whether that consumer is going to be able to qualify based on what we require for student debt calculation.

The next thing I want to talk about is condominiums. In November of 2015, okay let me give you a little bit of history, so you fully understand before I cover what we did per change. So in 2010 we required, let me move back up before that. We had condominium projects that had been on our approved condominium list for over 30 years that an FHA loan was never done. Builders many, many years ago used to get their condo projects approved as a way of advertising to get people through the doors. We're FHA-approved; we're VA approved. We're conventional financing approve, so they wanted everything.

But as market prices drove up, the prices of those condos, they didn't care whether the next phase or the next phase and the whole project was approved. They only cared about that first one, so we had projects that had been approved that nothing has been done. Nothing has been done for 30 years and we had to clean up the business.

So in 2010 we required all condominiums and all condominium projects that wanted to stay on FHA-approved condominium list reapprove with us. And we provided instructions, the handbook to follow the instructions. It was 96 pages long, but all 96 pages didn't apply. Only certain things applied based on whether it was a new project, an existing project, it's condo centers, it's so many things, so you didn't have to do the whole 96 pages. You only did what your condo project to require you to do based on where you stood.

So many condo projects because they had no interest in FHA and trust me we understand that condominiums are one of the most affordable ways of first time home ownership especially for low to moderate income home buyers because they're priced in that price range, so many condo projects didn't bother to get their projects approved. Some did, and [indiscernible], and they're still approved today. Some chose to start the process and then when they got to this one form as it related to the condo project approval either they decided not to sign it. Their attorneys suggested they not sign it. Their management company refused to sign it and it was a certification on the project itself.

We realized again—we make changes. We realized when we've done something that's not working, that's not to the benefit of a consumer, so we needed change and the change was done in 2011. However those homeowners associations that started the process in 2010 didn't know that we made that change and nobody went back to them and said FHA made the change to that certification form. In the original certification form, held the signer out the original from 2010 held the person signing it out well after they'd even be six feet underground and as I said we realized that mistake. So the certification that we changed in 2011 only made the signer responsible for the information as of the date they signed the form. They are still responsible for the information, but we were not going to hold them out indefinitely.

Many people realtors, loan officers didn't go back to these homeowners associations of these condo projects and say not sure if you're aware, but FHA made a change to that form. Do you want to reconsider and get your project approved? So that's one of the barriers is that folks are not aware that we've made this change and now it may be possible.

The other thing that we hear and this is really discouraging we hear in certain parts of the country that some homeowners associations and the management companies that we don't FHA borrowers because they're of lesser quality. And that's a real shame, because FHA borrowers in many areas of the country are better borrowers than a conventional borrower. FHA's loan limits in certain parts of the country are greater than Fannie and Freddie, so people are utilizing FHA-insured mortgages because they need the higher loan amount. We have areas in the west that our loan limit is well above $417,000, so that argument that they're of lesser quality just doesn't fly; and someone needs to educate them.

I know I try in our eight states to get the realtors and the loan officers to press that issue. We have one of the board of realtors in southern California actually does—it's an area of high, very high concentration of condominium projects. And what they've done is they last year started a lunch and learn for homeowners associations and management companies to educate them on the benefits of having the projects FHA and VA approved. This particular board also received money from the National Association of Realtors to expand it and really just make an infomercial to be able to share with the whole country. I don't know if that's complete yet or not, but if you don't stay aware and you don't stay up-to-date and don't stay alert to our changes, we can't move forward. None of us can move forward and that just hurts the consumer.

So we made another change in November because we recognize again that home ownership opportunities for low to moderate income home buyers condos play a big role in that, so in November what we did is we're allowing three things now as part of the change. And one is the first one is combined insurance. Now FHA up until last year required that the homeowners association some of these condo projects are within master planned communities, so you could have single family dwellings. You can have planned unit development. You could have condominiums. You can have a variety of parts of housing within this master planned community.

The master planned community in some cases carried 80% of the insurance for the entire community and then the homeowners association made up the difference 20%. That was not acceptable before November of last year, so in November we're now saying that blended insurance when you have that type of insurance is acceptable as long as there's 100% coverage. Now the only thing that cannot be done is the borrower cannot come up with that 20%. It's got to be the homeowners association, but we now allow for blended insurance.

The next thing with the condos is we now count second homes and do not misunderstand this. I'm going to be very clear. A second home is not a vacation property. Let me rephrase it. A secondary residence is counted as owner occupied. A second home is not, so you're not spending half the year in Florida and half the year in New York. You need a secondary residence for a reason, so I'll give you an example and I'm trying to pull from other areas of the country, so you'll understand.

Let's say we're in Houston and you've been in Houston for 20 years. And now all of a sudden your job is moving to Dallas and you have two kids and you have one that's a senior in high school, the other is a sophomore in high school and you need to move. But you don't want to take your kid, you want your kids to graduate from where they've been their entire life. So during the week the individual goes to Dallas and on Friday they come home to their family. Rather than pay rent in Dallas they buy a condominium. Why give away money? At least it's an investment. We capture that investment. When the kids are out, we move finally to Dallas or the job brings you back to Houston, so you've come back. So that secondary residence that shows the need and that is now counted as owner occupied for condominiums. FHA requires 50% owner occupancy, so that is when it would be counted as owner occupied.

The third thing is the recertification process. Under the new rules in 2010 we require condominium projects to recertify every two years. If they don't recertify every two years up until November they had six months to recertify or they would have to start the entire process all that paperwork all over again. In November we changed that and what it is now is if a condo project has been approved under the new rules since 2010 and they expired. The two years has gone by. Now the six months has passed. They do not have to start all over again. They only need to give us updated documentation per the instructions contained within the mortgagee letter, so again the recertification process for those approved since 2010 that have since fallen off have an easier way to do it. They don't have to start from scratch.

Finally the last thing I want to talk to housing counselors about and we are going to end a little bit early today is issues that you might be having with servicing lenders. If you're working with a servicing lender for those of you that do not know already for those of you working with a servicing lender, you have a borrower that came to you for loss mitigation assistance and it's a FHA-insured mortgage. And you know what the guidelines are. That's why you're a HUD-approved housing counseling agency's counselor. And that servicing lender is not working with you, we want you to call the national servicing center. You need to have authorization to work on this borrower's behalf that in all likelihood you're going to have that.

And when you call the servicing center, what you need to tell them is you want to open a ticket. The terminology is open a ticket and explain the situation and national servicing center will get involved and take it where they need to take it at the servicing lender to try and get resolution and find out what's going on because again our mission is not just to put people in homes, but to keep them there when they deserve to be there.

And on that note I am done with my portion of the presentation and I think Lorraine has a few things to cover with you and then we're going to open it up for questions, so Lorraine, I'm going to turn it back to you.

Lorraine

All right, thank you very much, Nancy, very informative and we have received a couple of questions through the chat box that I think would be we hope that you can answer. I think it would be valuable for everyone to hear.

One of the questions though that I have if you can kind of give a condensed answer is sometimes people will read the FHA regulations and then they're dealing with a lender and they find out that their clients don't meet the lender's qualifications. Can you may be touch on a little bit about what lender overlays are?

Nancy

Sure absolutely and it's a great question. It's a challenge. We get it. So FHA has guidelines in place and as long as those guidelines are met, FHA will insure that mortgage. However you do have lenders out there that they impose greater restrictions or greater guidelines than what FHA guidelines are.

To give an example and then we'll go into it a little bit more, FHA a borrower with a FICO score of 580 or greater may be eligible for maximum financing of 96.5% on an FHA-insured mortgage. You have many lenders in the country that say they're not going to do it unless it's 620. They'll only lend to a FHA borrower if the FICO is 620. Actually right, that's their right to do business. We don't step in. What we require is that they meet our minimum guidelines. Those are minimum. The lender has the option to make them more restrictive.

Now why would they? Why would they? The loan is going to be insured 100%, so as long as the underwriter as long as the lender makes this loan to the guidelines, they're protected because we've protect them 100%. They foreclose on that loan and there's not enough there to cover the balance, they submit the claim. We're the largest insurance company in the world. They submit the claim to FHA. FHA pays the claim and that's how it becomes a HUD REO.

So many people say will ask the question why, why doesn't FHA step in and make the lenders do what our guidelines are; and our response is because it's their right to do business and how much government interference do you want in business? Additionally the lenders' investor who they're selling their notes to, the mortgages to may have stricter guidelines, so lenders themselves, they want to follow our guidelines at what we require for minimums. But who they're selling it to on Wall Street may want it at 620, so we can control what we control. Our suggestion to you is become familiar with the lenders in your areas because you do have some lenders that follow our instructions or our minimum guidelines.

Another example is you have lenders that will not manually underwrite an FHA-insured mortgage, so only use automated underwriting. And I'm going to tell you right now there are loans as an underwriter myself, there are loans that automation will never, ever, ever approve and one of those is a borrower who had a bankruptcy 14 months ago. FHA allows for that if there was extenuating circumstances documented extenuating circumstances had to be discharged more than 12 months ago, but manual underwriting only knows that it's got to be two years, so you need someone with a brain to make that decision on that loan. Many lenders do not have experienced underwriters and willing to risk an underwriter that does not have the experience or knowledge in making that decision.

So, your challenge, we have programs that we offer, right? I talked about a rehabilitation loan program. We have both the regular rehabilitation loan, the 203(k), and then the limited 203(k), the limited rehabilitation loan program. Some lenders offer both. Some offer one and not the other. Some offer none at all, so ask, and it changes. It could change day to day. Anytime I'm out anywhere speaking to lenders, I'll ask a question. How many, because when I speak to realtors, many times lenders come, and I'll ask the question. I'll just keep asking. How many lenders manually underwrite their loans? Raise a hand.

So, I'll tell the people in the room, look around. See who's doing what. But, as I said it changes day to day, so you just never know. You need, and it's not possible for us to know, and one of the difficulties that we have is that, when someone asks me, well, Nancy, who's doing this loan, I can't tell you because federal ethics require that if I give you one name, I must give you every name, because I don't know what lenders are doing second by second, minute by minute, day by day, all lenders in the United States. If I don't give you all names, I'm in violation, okay?

So, it's not, we can't answer that question for you. All we can do is advise you to know who's doing what in their particular areas, but thank you for the question.

W All right. I am looking at some of the questions that folks typed in, and I'm going to apologize in advance because we don't have time to go through all of them, but I'm trying to hit the ones that I think would be most informative to the whole group, and one of the questions is on trying to locate HECM lenders, on hud.gov.

Nancy

We, Lorraine mentioned the challenges we're having with our technology right now and we too, I mean it's agency wide, it's HUD, agency wide we have a problem with our technology. It applies actually also to looking for a HECM counselor, when you're searching on our search engine, we know a couple of areas are not working. One is trying to identify a HECM lender. The search engine is not working. Again, that goes back to becoming familiar with who is doing what in your given market areas.

I can't give you, it goes back to, I'm sorry, I have to apologize, I can't give you a name, because if I give you one, I must give you all. The same thing for HECM's counselors. If you search our website to locate a HECM counselor, it will not give you a response. So, all we recommend to consumers is to call a few agencies. See, when we get the list of housing counselors on the FHGA side, when someone is seeking a HUD-approved housing counseling agency, we give them all of the agencies within a region, okay?

So, if someone is calling us from Los Angeles, we will give them everything within Los Angeles County, not just one or two names, Okay? Because it's not right. We also provide the 800 number where they can, where they can be referred to a counselor. But, that's the best we can do, and we apologize for that.

I don't know when it's going to be corrected. It's been several months now actually and I don't have an answer. I apologize.

Lorraine

Well, thank you, though, Because at least you've alerted the audience that this is an issue and they're probably going to come back to the office of housing counseling and say, well, how do we fulfill our requirements and I think Nancy has a great suggestion. Contact the different lenders that are in, that service your area, and you need to recommend at least four lenders. So if you can get a list of at least four lenders that serve your area, then that would be something that you can provide your clients.

If they're not four in the area, you might want to consider expanding to, you know, the large national mortgage companies and contacting them to see if you can get the four, or just refer to the FHA Resource Center. Tell your clients you don't have a list. Go and contact the FHA Resource Center to get some more information on HECM lenders, and most importantly, document the file when you do things like that. Either say, you know, we handed them the list. We told them to call the FHA Resource Center to get their lender list.

Another question that we had is how long does it take to get an answer when you submit a question through email?

Nancy — Okay, so the Resource Center is required to respond within, I believe, it's, you know, I thought it was 48 hours, business days. I think it's 2 business days.

Lorraine — Okay.

Nancy — I'm not sure. I know that if it's elevated to the homeownership center, and all I can do is speak for the Santa Ana Homeownership Center, because obviously I don't work in the other three, but I know if the Resource Center elevates it to us, we've been answering in one day and thirteen minutes.

Lorraine — Okay. Great, thank you.

Nancy — Lorraine, I had also noticed that several people wanted to know how they can sign up for the FHA info emails.

Lorraine — Oh, good point.

Nancy — I'm sorry. I thought I incorporated that into my slides. Let me look for it while you go ahead and search for another question.

Lorraine — Okay, another question was the 800-number for the [indiscernible] center.

Nancy — For.

Lorraine — The national [indiscernible].

Nancy — Oh, perfect. Okay. Right. I guess I did forget to give that to you. The number is 877-622-8525. So, again, 877-622-8525.

Lorraine — And, Nancy, while you're looking up the information, we also had received a question on how to access the free loss mitigation training that's provided by FHA. You can actually visit the Housing Counseling website on the HUD Exchange, and if you look under Training Resources, and then Training Partners, there'll be a link. It'll say the e-class for loss mitigation and it's a free class. Ginger, did you see any other questions that we can ask Nancy? We have probably time for about one or two more.

Ginger: Yes. Most of the other ones seem to be really scenario driven, you know specific, oh, here's one. There were a number of questions on student loans. Nancy said there were three options.

Nancy: Correct.

Ginger: For student loans, and they just wanted you to repeat those.

Nancy: Okay. So, the way that student loans are calculated, it's going to be the greater of 1% advancement in balance or the monthly payment on the credit report. The other is the actual documented payments provided it will fully amortize over the term of that student loan. So, the first is 1% of the balance or the monthly payment on the credit report, whichever of the two are greater. Or, then you're going to look at the actual documented payment, provided it will fully amortize over the term of the loan, and it's the greater of. That is, for clarification, and I know it's a little complicated, that is mortgaging letter 2016-08. And, by the way, it is counted, you have to calculate the payments regardless of whether it is deferred or not. Deferral makes no difference. And the reason being is as counselors, you should all know that once it comes out of deferment, the bar could be seriously in trouble.

Ginger: Just a reminder, as I said at the beginning, the transcript of Nancy's presentation will be available on our website next, probably next week, which will give you more information, or more ways to follow what she's talked about. We will pass on the questions to Nancy. We'll have a written copy of that, and see what we can do about getting answers that are, of those that are generic. Lorraine, I saw a couple asked about the [indiscernible] exam. I don't know if you want to speak on that or not.

Nancy: If you'll all give me a second while Lorraine is answering, I'm going to try and pull up the internet to get you the FHA info sign up link. Go ahead, Lorraine.

Lorraine: Okay. Thank you. We are still waiting to publish the final role and so we really can't adjust to many questions or any questions on the certification examination. I do want to remind people though that we do have available free on-line training now, that can help you prepare for the exam when it does become available, and that is at www.hudhousingcounselors.com. You have the option to take free on-line training or have a downloadable study guide. We are at this time, we do not have permission to collect personally identifiable information.

So, we can't give you a user Id right now. That means you just need to notate where you're at in a training module so you know to return to that same spot. It doesn't track your progress, but it is available now for you to check out several of our training grantees. National Council of La Raza, NeighborWorks, and NCRC, are also offering classes on exam preparation now that you can also consider taking.

Hey, Nancy, did you find your answer?

Nancy — I'm just about there. All right. Okay. So…

Lorraine — I found if you go to the FHA Resource Center, there is a link there.

Nancy — Okay. I'm going to show my screen. If you go to hud.gov, if there is anyone who's interested, go to hud.gov, and actually this is the easiest way to access the modules too. So on your website, if you go to hud.gov, and then in the search engine I'm going to try and maneuver to show you as I go around, right? So, I went to hud.gov first, then I typed in 4000.1 in the search engine. Does everyone see that? And then I hit search, and the very, very first link, where it says single family handbook 4000.1, if you click on that, this is where you're going to find the on-line handbook.

This is where you're going to find the training modules, the supplemental documents for the 203(k). So, here's your training and resources, and then right under here, where it says questions about FHA, I'm sorry, if you go further, all the way to the bottom right, it says subscribe to FHA info announcements, and subscribe, you can do it right there. You just click on it, and it will take you over and basically it's an email, and you just send it. They recognize that that's what you're requesting, and they will, you'll be signed up at that point.

Ginger — Awesome. Great. Thank you very much. I think at this time, Nancy, we will stop in asking you any further questions. We really appreciate you taking the time and providing this valuable information to all of our housing counselors. You've touched on quite a bit, but you've also given them the resources where they can find additional info on FHA. Can you go to the slide right before where it says more information?

Nancy — Sure enough.

Ginger — We just to remind folks that our website, The Office of Housing Counseling Website, is now on the HUD Exchange, that's our address. If you go to hud.gov, and you look under audience groups and select housing counselors, when you go to that page, it will take you over to the HUD Exchange, or you can go ahead and bookmark this as the new way to access the information.

And as I've said, if you go to this page, and you look under training resources, and then training partners, you will find a link to the e-class. It's called e-class for loss mitigation. It's a free FHA class. If you have any questions, excuse us, we didn't change the slide here. If you have any questions, you can do housing.counseling@hud.gov and please put in the subject line FHA, not AAPI. That was our last one. My apologies. We didn't update the slides.

Again, Nancy, we really appreciate you taking your time and sharing all of your vast knowledge with our housing counselors and thank you everyone for tuning in.

Nancy — Thank you, and on the FHA side, we would once again like to thank The Office of Housing Counseling for setting up this webinar and all attendees attending today to learn more about FHA updates. Thank you, and have a great afternoon.

W — You too.

W — You too.

Nancy — Bye.

W — Goodbye, and thank you all for attending, and we're now finishing closing out the webinar.

W — And don't forget your survey.

Moderator — Thank you. That does conclude our conference for today. Thank you for your participation and for using AT&T Teleconference. You may now disconnect.