Final Transcript

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

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SPEAKERS

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PRESENTATION

Moderator: Ladies and gentlemen, thanks 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. Later, we'll conduct a question and answer session. Instructions will be given at that time. [Operator instructions]. As a reminder, this conference is being recorded.

I'd now like to turn the conference over to our host, Ms. Virginia Holman. Please go ahead.

Virginia: Good afternoon, or good morning, everyone and welcome to today's webinar, where we're going to have an update on the FHA programs. But I want to go over some logistics with you first. As the operator said, the audio is being recorded. We will be posting the playback number of the PowerPoint and a transcript on HUD Exchange, on our web page, so that will be about in a week. So, you can always go back and look at it. We'll send out a listserv when it is actually posted. Your lines are muted during this presentation. I did send out the PowerPoint earlier today and they're also available in the control panel on the right-hand side of your screen under Handouts, and you can just click on that and download it.

We will be having one polling question, so we appreciate you answering it, it gives us some important information. Depending on the amount of time we may actually open it up for questions. We do have a large audience, so that makes the live questions a little bit more difficult, but if we do you will be given instructions by the operator.

However, we really do want your questions, so there are two different ways you can ask them. One is the control panel on the right-hand side of your screen has got a box labeled Questions, and you can just type your question in there and we will be monitoring them and answering them. And if we don't get to all of your questions, every effort will be made to respond to you later on those questions. Also, after the webinar is over you can send your questions to housing.counseling@hud.gov, and just put the webinar topic in the subject line so we're able to get it to the right people.

If we do open the lines, we ask you to use your mute button so that there's no background noise. There's going to be a brief survey that's launched at the end of the webinar, and please take again a few moments to answer those questions, as your responses really help us make better webinars in the future. And also if you have logged into the webinar you're going to receive a "Thank you for attending" email from GoToWebinar generally within 48 hours. This email is going to say this is your certificate of training. Please note that there is no attachment, it is in fact just the email.

And at this point I'd like to turn it over to Lorraine Griscavage-Frisbee, the Deputy Director of the Office of Capacity Building and Outreach.

Lorraine: Alright. Well, thank you very much, Virginia. Good afternoon and good morning to everyone. Thank you very much for joining us today. You are in for real treat, we have Nancy West, and she's a dynamic presenter and educator. Every time we do our training stakeholders meeting and ask what information housing counselors want us to cover, FHA updates is always a popular topic. So, we're very grateful for Nancy to provide the information today.

And to help her out, the first thing we want to do is to poll everyone to indicate what kind of housing counseling services do you currently provide. So, please select all that apply for your agency. If you're not a housing counselor, but you're another staff person, just indicate the services that your agency provides.

So, you can vote now. We'll give you a second. Alright. Thank you very much. Let's look at the results. Wow, that's great. Pre-purchase and homebuyer education, so this is definitely the webinar for you. And also very interesting on post-purchase non-default, we're definitely going to be covering information you will also find very beneficial. Loss mitigation and mortgage default, at the end we'll talk a little bit about where you can get training on FHA, and then we also have some HECM providers as well, great. Well, thank you very much for participating in that poll. That gives us a good idea of the audience group.

Well, probably one of the questions or information we want to share is why is it important, I'll give Ginger a chance to catch up here—when we do a polling question we have to step away from the PowerPoint and then we have to go back in. Oh my gosh, Yosemite National Park, that is my favorite place to visit. We're transferring the presentation over to Nancy, but while we're waiting for her to bring the PowerPoint back up, why is it important for you to understand about FHA financing?

Well, first of all, it's a very popular product for first time homebuyers and works well with down payment assistance programs, and Nancy will cover this more in-depth. It's good to be able to discuss the alternatives with your pre-purchase and your homebuyer education buyers, and it's actually a part of our program standards. We hope that you talk about, and we actually have in our handbook that you discuss FHA mortgages as an alternative when you're discussing financing.

So, I'm looking forward to the information that Nancy is going to share with you, and just want to let you know that Nancy West is a Housing Program Officer. She actually works out of the Santa Ana Home Ownership Center. And I'm going to turn the presentation now over to Nancy.

Nancy

Thank you, Lorraine. And thank you, Virginia, for hosting this webinar. The FHA would like to thank the Office of Housing Counseling for inviting us to provide a presentation to counselors today on some FHA updates that have occurred over the past year. There's a lot of information, and some of it I'm not going to cover in detail because there are some areas that don't necessarily apply to housing counselors, but it's good that you have the information, so the slides are here.

As Lorraine and Virginia mentioned, we have a huge audience today, and we really appreciate you all attending. So, if you would, in the Questions page, as questions come up as you're thinking of it as I'm going through the presentation, please type your questions. Lorraine and Virginia will be monitoring those questions. Whatever questions we don't get to they will all be downloaded to an Excel spreadsheet that will be provided to me by the Office of Housing Counseling. We will provide answers to each and every question. You'll have to allow me about two weeks to go through everything, because I do have other work that I have to do, but I promise we will get you all your questions answered. That is one thing that we will do for you.

So, I want to talk to you about key messages on FHA updates and what's to come. I'll touch a little bit on what's to come. So, talking about the 2017 loan limits, loan limits are set once a year. Generally, they're set in November, maybe December, and they run for an entire calendar year. We don't adjust mortgage loan limits throughout the year. It's once a year. When we post the limits, which take effect on January 1st of the New Year, we notify industry counterparts, interested parties and if they disagree with the loan limit set for their particular area those limits can be appealed. There's usually a 30-day period from the date the mortgagee letter is published to appeal those loan limits.

It's not an easy thing to appeal, though, because the data that's provided from external parties when there is an appeal generally is the same data that we are going to use. And our Office of Housing Development and Research does the research on loan limits, they start that process in October and they generally do a 60-day look back. And they're obtaining information from public records and from the National Association of Realtors, so the information that we have would be the most current information that most likely any industry partner would also have, or industry counterpart.

I do want to remind all the counselors, though that FHA doesn't just do one unit or allow for just one unit. FHA allows for one unit, two, three, up to four units. Now a borrower or buyer must occupy one of the units because we require owner occupancy. So, for counselors looking at maybe multiple families looking to buy a house together, they might want to look at duplex or a triplex. They just have to occupy one of the units. Loan limits increase with the number of units. So, for example I'm just going to pull L.A. out. For one unit in L.A., the loan limit is $636,150, but you go all the way up to four units and our loan limit for four units in Los

Angeles is $1,223,475. Loan limits can be found online at hud.gov under the resources tab, it's in alphabetical order and just look for mortgage limits.

Next, I want to talk about our rehabilitation loan program. We have two rehabilitation loan programs. We have a Streamlined Rehabilitation Loan program and a regular Rehabilitation Loan program, and there are actually major differences between the two. The Streamlined Rehabilitation Loan program only allows up to $35,000 worth of repairs to be financed, and those repairs or work improvements are done after closing. The big difference between the Streamlined Rehabilitation Loan program and the regular Rehabilitation Loan program is the streamlined does not allow for any structural repairs. If there are structural repairs, it's got to go under regular Rehabilitation Loan program.

And I want counselors to keep in mind, especially those of you that are counseling individuals in disaster areas, that the rehabilitation loan programs may be able to help someone get their house back to the way it was before the disaster. The Streamlined one again is for minor repairs, nothing structural, up to $35,000, so maybe drywall was damaged and they had maybe flood insurance but they have a deductible. The Streamlined 203(k) might be able to get the house back into a position where it's habitable again, so keep that in mind that both of those programs are available.

FHA's fee for the inspection, when we require a HUD fee inspector to inspect the work, which is on the regular Rehabilitation Loan program, it was limited to $100. And that amount was very outdated, we recognize that, so the limit was increased on HUD fee inspections to $350. And that just makes sense. We were losing HUD fee inspectors because they really didn't want to do the inspection for $100, it might cost them that much in gas if they had to go far to do that inspection, so it was raised to $350.

While, I'm talking about the 203(k) program, the Rehabilitation Loan programs, I do want to touch on our 203(h) program, the Disaster Program. Keep in mind that this program allows a borrower to finance up to 100% toward the purchase of a new home. That new home could be anywhere in the country, so maybe you have someone in Florida and they say, you know what, I'm done with hurricanes, I want to move to California, where they have earthquakes instead. If their home was destroyed, and they didn't have to own the prior home, it could have been a rental and they were renting and that rental property was destroyed, it allows them to buy anywhere in the country up to 100% financing with the 203(h) Disaster program. And I know you're getting tons of email notifications on disaster assistance, disaster that HUD has available and the 203(h), so I do recommend that you review that program in order to make sure that people are getting the most that they can get.

I'm sorry. Give me a second. FHA's annual mortgage insurance premiums. Everybody wants to know is FHA going to reduce the premiums at any time in the future. I cannot answer that question. I can tell you that currently it is not under discussion, but things can change.

For those of you that do reverse mortgage or HECM counseling, we just published a mortgagee letter on August 29th where the upfront mortgage insurance premium on the HECM standard has been raised from 1% to 2%. However, the annual on the HECM program was at 1.25% and it's now 0.50%, so while the upfront increased the annual was reduced.

The mortgage insurance premiums on FHA forward mortgages, the annual premium, as you know, runs for the life of the mortgage and I know that's a complaint with a lot of people. We need to rethink how we think about the annual mortgage insurance premiums because, yes, the borrower's going to pay it for the life of the loan if they do maximum financing, but there are benefits to FHA insured mortgages that Fannie and Freddie don't have. For example, you only have three mortgages in the United States that are currently fully assumable, and they're FHA, VA and USDA.

As mortgage interest rates rise, which we can't stay at 4% forever, when rates are going to change I don't know, but I've been in the business way too long to know that mortgage rates go up and down. I've been in the mortgage business so long that I can remember when first mortgage interest rates were at 18%. When first mortgage interest rates were at 12%. It really wasn't that long ago that interest rates were at 10%. What happens is when interest rates go up purchasing power goes down. When purchasing power goes down, loan values have to come down. People have to reduce their sales price in order to sell the property from a qualifying aspect of the buyer.

If there were more assumable mortgages available it may be possible that the new buyer can assume the FHA insured mortgage. And assumption is credit qualifying, so the buyer or borrower would have to qualify from a credit standpoint and an income standpoint. If FHA has a performing mortgage, we want that mortgage to continue to perform, so they would have to show that they are creditworthy and that they have the income to meet the obligations. There is no appraisal and it is a formal assumption, so the exiting borrower is relieved of the obligation, the new buyer, borrower takes over.

So, that's one advantage to having monthly mortgage insurance premiums, is hopefully it keeps the house prices up. The current buyer can sell. This is the borrower that has the FHA mortgage now, they can sell it at a higher price perhaps than their neighbor. Some of the things that would kick in in rising interest rates, so the sales price is what it is, the buyer comes in and assumes the loan. There may be a difference between the sales price and the balance owing on that FHA insured mortgage.

And there are a few things that could happen to fill that gap. One is the buyer comes in with a difference between the two. The second is that there are all sorts of programs that come out such as gap financing, a mortgage to fill the gap between the sales price and the mortgage that's being assumed. And the third thing is, and unless you're a tax preparer, or a CPA, or anything like that and do not give tax advice, is the seller might want to consider carrying back that difference between the sales price. You may have someone who's downsizing, so they're downsizing in house and perhaps in purchase price, so they have room where they can carry paper back through the income flow. So, there are benefits to that.

As you all know as housing counselors, FHA protects the borrower in the event of a default. FHA mandates, and we monitor that servicing lenders, when a borrower falls behind, the servicing lender is required to work with that borrower to keep them in the house. It's not important just to make someone a homeowner, but it's to keep them there as well. So, FHA mandates that the servicing lender work with the borrower to keep them there.

And let's say that someone broke their leg and they were out of work for four months and now they're back to work, and you analyze their income and there's not enough to do a forbearance, they can't catch up, they're not going to be able to catch up, but they're able to maintain moving forward, so those four payments can be set aside in a HAMP modification. So, we go down the road and it happens again, they break their other leg two years down the road. Again, the same thing can happen.

As you know, or should know, on an FHA loan the borrower could be up to 12 payments delinquent and not lose the property. That's another reason for that insurance. Is it worth protecting? Fannie and Freddie aren't going to protect you, or protect a borrower from staying in the house because they broke their leg. We do, we make sure that the borrower is taken care of, because that's one of our missions is to keep someone in the home once they're there.

Now, there's another benefit. Remember we talked about assumption, so the FHA loan is assumable. Under the formal assumption, and by the way, we all know that that modified mortgage that FHA did because the borrower broke their leg two years ago will have to be paid. And this is a reminder for counselors right now because there are a couple of things I want to touch on, so, I'm going to take one at time.

One is that when we were selling the house the FHA loan is going to be assumed. That modified balance must be paid when the property is sold or the borrower refinances, so if they sell under an assumption that modified mortgage has to be paid off at that time.

Now, here's another benefit to having the mortgage insurance as well is that the new buyer who assumed that FHA insured mortgage gets exactly the same benefits as the original borrower. They have a hiccup in their life, they are given the same exact foreclosure protection remedies that we had for the original borrower. So, is it worth protecting someone else? And I'm not sure if anybody on today's webinar would disagree, but that's not a benefit to the current borrower and any future borrowers under assumption.

As a reminder to housing counselors, right now as home prices have appreciated over the last two years those loans that you helped modify a few years ago 2007, 2008 and 2009, those folks are now selling their homes and they forgot about the modification that was done, and they're trying to sell the home right now only to find out that they have a balance owing to FHA. So, please, if someone comes to you, you need to remind them of the modification that they had done earlier and what the guidelines were for that, so just a reminder.

Assumption fees, so we just talked about assumption. The assumption fee, a borrower can charge, a servicing lender can charge from $500 up to no more than $900. That's pretty reasonable. There is no appraisal fee required and the most that we will allow for a servicing lender to charge on the assumption is $900, it's a whole heck of a lot less than a whole brand new loan. So, again another benefit it's only $900 to assume that mortgage as opposed to how many thousands of dollars to get a new mortgage.

Condo project approval owner occupancy requirements. There was a proposed rule published last summer, it's been quite a long time, where there's consideration underway for changing some of FHA's requirements for condo project approval. We know and we understand that condominiums are very affordable, especially for first time homebuyers, there are not many condominium projects that are currently approved, but as time has gone on we've found that, it's strange, some of the data that we're seeing is condo projects that have come in for approval. When a condo comes they have two years after that approval to re-certify their project and the re-certification could be done up to six months prior to the expiration date and up to six months after the expiration date. And some of the data that we're seeing is projects have come in for approval but they never re-certify, which really just tells us that projects are getting approved as there's the need, but then there's not a need so it goes away.

It's not a difficult process to get a condo project approved. We made it easier with some of our additional changes, the changes we've made over the past two years that we've issued extensions on. And what we've done is condo projects generally require a 50% owner occupancy requirement, however it may be possible to get a project approved with the owner occupancy as low as 35%. It retains the minimum owner occupancy requirement of 30% of the declared units in proposed or under construction projects.

Again, we expect, and there's a lot to go over in condos as a whole, our mission is to promote home ownership to first time low-to-moderate income home buyers. We feel that the condo project proposed rule and ultimately what ends up the final rule will in fact help those first time low-to-moderate income homebuyers as well as those underserved families.

I was just in Idaho on Friday, and the first thing I heard was lenders don't want to do FHA business anymore because of the action FHA takes against lenders. And I don't know if you've heard that as well, but I will tell you that any action that we take is based on a pattern of significant underwriting flaws and noncompliance with FHA program requirements, pure and simple. If an entity is flagrantly ignoring what our rules, regulations and guidelines are, we have to take action, we have to protect that insurance fund. That insurance fund, if it's not healthy that's your insurance premium, we have to adjust insurance premiums. So, we need to be careful with what we do.

On the other side of the coin, though, we see lenders adding more restrictive guidelines than FHA guidelines. So, for example, FHA allows a borrower with a FICO score as low as 580 to maybe get an FHA loan with 96.5% financing. Good luck finding a lender that will go as low as 580. Further, FHA will allow a borrower, or may allow a borrower of course based on qualifying, to obtain an FHA mortgage with 90% loan-to-value when their FICO score goes below 580 but is at least 500.

Again, you may not find a lender that's willing to do that. As housing counselors, my recommendation would be to know the lenders in your area, to know who does what, to know who manually underwrites loans, because if you don't have a lender that will manually underwrite a loan, a mortgage, an FHA insured mortgage, you're never going to get that borrower approved. For example, if you have someone who had a foreclosure due to extenuating circumstances, FHA may allow that borrower to get a 96.5% mortgage after one year from the date of sale on that foreclosure, again due to extenuating circumstances. If you have lenders that will only do automated underwriting, you'll never get that loan approved, you'll never be able to help that borrower.

So, make sure that you know the lenders in your area, what they do, what they don't do. For example, I talked about the 203(k) and the Streamlined 203(k), the two rehab loans, and you may have a lender that does both, you may have a lender that does one not the other and you may have lenders that do none at all. The same thing with the 203(h), you may not have a lender or have very few lenders that offer a Disaster Relief program, the 203(h). So it's important that you know who does what in the areas that you work.

So, HECM, the home equity conversion final rule, we're waiting on that as well. Both the condo and the HECM programs we're waiting for the final the rules to be published. All that's being done with existing home equity conversion mortgage program and the condos is we're extending prior mortgagee letters. I can't tell you how it's going be affected because I'll know when you know, is what it comes down to, so just watch and see. It's been almost a year now since the final rule was published, but none of the guidance or what the final outcome is will be notified by mortgagee letter. We're just waiting for a new commissioner. I know a commissioner has been nominated, but I have not heard a confirmation yet and we don't know when that will occur.

I did want to touch on the note sale program, because there's questions and we've heard some issues surrounding the note sale program. The note sale program aims to assist borrowers that have exhausted their eligible FHA loss mitigation option. As a byproduct it minimizes the losses to the FHA mutual mortgage insurance funds, but there's some really great data that goes along with this.

So, as I mentioned you go through your loss mitigation waterfall, the borrower doesn't fit into any of them, or maybe they've gotten to their 12 months, they've exhausted, there can't be another modification, they're already 12 months into a note and you can't do another one. So, FHA analyzes those notes, and the servicing notes, and the services input into the system because they have certain prescribed, just like you have prescribed dates that you have to follow when you're doing loss mitigation, there's prescribed dates that a servicing lender has to abide by as well. So, the FHA analyzes those mortgages.

And let's say the borrower, maybe they broke their back, now they broke one leg, they broke the other, and now they've fallen off a scaffold and broke their back and they're going to be out of work nine months, and that's going to push them over that 12 month option with FHA. So, we look at those notes. We haven't done a note sale in quite a while, but we'll look at those notes and we'll put them into the note sale program knowing that it's likely that this borrower can succeed.

So, what happens is purchasers with those notes continues to work with those borrowers for an additional 12 months and they cannot foreclose until 12 months has gone by. We have found though our data that approximately 80% of those that have gone to note sale have in fact been able to retain the property, so it is very, very successful, both for the borrower and for FHA.

I'm not going to go into the Property Assessed Clean Energy program. FHA may allow for a PACE obligation, and that's for energy improvements on a property where the improvements are coordinated through the county tax assessor for payments for that obligation to be collected through the property tax bill. But again I'm not going to go through this in detail, it may or may not be acceptable.

You want to make sure if you're counselling someone on a purchase transaction, though, that they look at the property tax bill. That obligation may or may not show in a preliminary title report which the borrower's going to get in a purchase. So, they may also want to take a look at the property tax bill because that lien may be transferred to them, which would affect their ability. If you're looking at helping someone qualify and be within their obligations and live within their means, if there is an additional lien that no one was aware of, that could really cause some problems and cause them to fail as well. So, I've provided you the guidance on that.

Resilience and sustainable standards in housing, we're proactively promoting resilience. We have partnered with other federal agencies to advance resilience and sustainability standards. I was watching the news of course on the disaster in Florida, and they had mentioned the fact that building codes had increased so much that many of the houses down there survived because of that. We look at that as well.

FHA offers a variety of programs that support resiliency. We talked about the 203(k), that's a way for someone to upgrade their home so it is more resilient, so wind resistant roofs and home elevation to protect from flooding. So, we do partner with other agencies. Our Office of Healthy Homes, for example, they promote, lead-based paint removal, mold, so we do all proactively work together to make sure that homes are resilient and sustainable.

I want to talk about our handbook briefly. For those of you that have access to our handbook or are looking for something within the handbook, I have an easier way for you to look for what you're looking for. The handbook is condensed, it's combined, and we've taken every other handbook and put it into the 4000.1. The only two sections that have not been updated yet are of course the home equity conversion mortgage, because we're waiting for final publication or the rules, and the same thing with the condos. Once those are published that too will be incorporated into the handbook.

The handbook, the plan is to update it every six months, and even though we're publishing mortgagee letters, when the handbook comes those mortgagee letters will be incorporated into the handbook. So, for those of us that have been around forever, I feel like a dinosaur at this point, going back 30 years for a mortgagee letter is no longer going to have to be the case, everything is incorporated into the 4000.1.

It's not always easy sometimes to find what you're looking for, though, because HUD speak is not always industry speak. So, for example we all, everyone on this webinar today knows what a second mortgage is. But if you go to the handbook and type in "second mortgage" you'll never find anything because that's not how FHA speaks. So, my recommendation to you, anytime you're looking for anything don't start with the handbook, start with our Frequently Asked Questions, and the slides are attached. Our Frequently Asked Questions page is www.hud.gov/answers, and my recommendation is to start with a keyword search. I know there are tabs along the side where you can look in specific areas, but trust me, looking with a keyword search is going to be your easiest way to find something.

I use it every day. I work for FHA, but I use it every day because I'm looking for something specifically, and it may take me a while to look for it directly in the handbook. So, if I do a keyword search and first, because I mentioned that we don't always speak the same language, so in your keyword search you type "second mortgage" and it pops up and comes back and it says "zero answers found." Let me assure you, anytime you type in a keyword search and it comes back with zero answers found, that just means we're not speaking your language. So, less is more.

I did this myself and I thought, oh my goodness, what are we saying? Second mortgages, we know that we have second mortgages. So, then I typed in "junior lien" and again "zero answers found," and I thought, okay, what terminology are we using? So, instead I just typed in the word "mortgage." Remember I said less is more, so I typed in the word mortgage, now all of a sudden there's 100 questions that have come up. So, it's really easy to visually scan what you're looking for, and boom, there it was, we call it subordinate financing. Subordinate financing could be a second, third, fourth, it could be who knows. So, you click on subordinate financing then it gives you the answer, and guess what, it tells you exactly where to find it in that 4000.1 handbook. Don't try searching the handbook. Search the Frequently Asked Questions. It will tell you where it is in the handbook.

There is another key on the HUD handbook 4000.1. Please, if you're talking to a lender, an underwriter, a loan officer on behalf of the borrower, or you're talking to a servicing lender on behalf of the borrower and you say to them it's in HUD's handbook, you need to specify whether it's in the PDF version or the online version. We have both available, but the difference between the online handbook and the PDF version of the handbook is the page numbers are not the same. So, be sure you tell whoever you're talking to which handbook, whether it's a PDF or online when you're addressing something specifically.

When it comes to the subject property and water, all properties that we insure must meet our minimum property standards and property requirements. I'm not going to go into all of those, but I will tell you in many areas of the country many people use individual water supply systems such as wells, some people want to use cisterns, there is a variety of things. We cover what individual water supply systems are in Section 3 of the 4000.1, Section 3 again individual water supply systems, and then Subsection 1, and I'm not going to go into those in detail.

So, we talked about the 4000.1. The easiest way to find our handbook, I will tell you go to hud.gov, in the search engine type 4000.1 and it will bring you up to a list of links, and it's the very, very first one that takes you to our handbook page. Those supplemental documents will be contained in that page as well. We have a specific home equity conversion mortgage page that I've provided you the link to. Any time you have a question, please contact our resource center and you can do it by email or you can do it by phone.

I will tell you, we hear complaints often that, oh, I've called the call center three times and I've gotten three different answers. I can tell you that if you call me three times I might give you three different answers. It depends on how you ask that question. Maybe this time you gave me this small set of facts, and the next time you talk to me you add two more, and the third time you call me you add another two. Each one of those may change the response, so when you're contacting the call center write down your questions ahead of time. If you're not comfortable with it and call back again and ask it the same exact way, you should get exactly the same answer.

If it's a question that the call center is unable to answer, they will elevate it to the appropriate homeownership center, we have four, Philadelphia, Atlanta, Denver, and Santa Ana, which is where I'm out of. Your question will be elevated to the appropriate homeownership center, where the borrower or your housing counseling agency is. I will tell you that when it's elevated to the homeownership center for response, and I can only speak for Santa Ana, our response time is less than 21 hours. So, we do get back to folks right away.

I've talked about our Frequently Asked Questions page, hud.gov/answers, that would be my first thought for anyone on today's call. For many of you that were around before the Office of the Housing Counseling split from single family FHA, Jerry Mayer, you all know Jerry's name, Jerry had our listserv. He carried that listserv with him to the Office of Housing Counseling. So, folks who are interested in staying up-to-date on just single family news should sign up, and I've provided you with the link. And you will get an email.

One of the differences between the way we operated before and now is before we used to send out notices all the time. Now, we try and send out only updates once a week, they're generally on Friday, unless of course something major happens where we need to get in touch.

We have recorded webinars. Somebody asked me the other day, Nancy, can you tell me about that new program that FHA has on your construction loans. We have a construction loan program, but it's not a new program. The program has been around for 30 years. My recommendation for counselors is maybe to review Modules 6, 7 and 8 for sure, those are all our special life programs.

The 203(k), for example, is under Module 7, our refinance programs are 6. And then all our other specialized programs, FHA has an energy efficient mortgage that can be utilized with the regular rehabilitation loan that's where the 203(h) is, adjustable rate mortgages. As interest rates increase, folks might want to look at adjustable rate mortgages, and FHA has the best on the street. New construction, construction to perm, the assumptions there, and, by the way, if you listen to Module 8 you'll probably recognize a voice.

So, at this point I'll go ahead and open it up for questions. Virginia or Lorraine, were you going to post some of the questions that we got in while I was speaking?

Lorraine — I think Virginia is going to do that.

Virginia — Yes, I am. And just as a reminder to everybody, please, if you have a question write it in so that Nancy can answer it.

One question, she wanted to know the limit for regular 203(k). In other words, what's the amount of rehab that could be done?

Nancy — It's unlimited up to FHA's maximum mortgage limits.

Virginia — And that would include the purchase price of the refinance amount, correct?

Nancy — Correct.

Virginia — Okay. Here's somebody that wanted to know a little bit more about partial claims.

Nancy — Okay. Excuse me. I apologize. I'm fighting a cold. So, FHA's loss mitigation option priority, the partial claim is going to fall in priority of how it works. So, first, you're going to look at your informal and formal forbearance, then special forbearance. Partial claim won't come along until you fall under the FHA's home affordable modification program. So, you're a few steps down. Really, the partial claim is not going to come into play until just before you start looking at home disposition options.

There's more information on the National Servicing Center's website. So, I would recommend going to www.hud.gov and in the search engine type in National Servicing Center. When you get that link for the National Servicing Center they have an entire page that covers all loss mitigation options in complete detail.

Virginia — Okay. Thank you. And then here's one: "Has there been any new discussions on calculation of the monthly obligation for student loans?"

Nancy — No. That's the simple answer. The answer is no. And the reason for that, and I know everybody asks everywhere I go, all the studies that have been performed—let me step back, though, because I do want to address something with everyone.

The way that the handbook and the mortgagee letter was originally written, it may be confusing, and from what I'm hearing everywhere I go people are forgetting about a third optional calculation for student loans. Under the student loan guidelines you must use either 1% of the balance or the monthly payment as reported on the credit report, whichever is greater. However, if the actual documented payment for that loan, provided it will fully amortize over the term of the loan, is less than those other two, that one can be used.

So, again, it's either going to be 1% of the balance, or the monthly payment on the credit report. But if you can get the note on the student loan and the actual documented payment, provided it will fully amortize over the term of the loan is less, you can use that. And most people forget about that third option, they only look at 1% of the balance. But you can have a student loan where the payment on the note is actually less than that 1%, so you can use it. I hope that makes that clear.

Virginia I think so. Here's another: "When dealing with an FHA mortgage and using down payment and closing cost assistance that is forgiven after an affordability period, is there a maximum CLTV?"

Nancy FHA does not have a maximum CLTV when down payment assistance is provided from an acceptable source, not at this time anyway.

Virginia Okay. "If the customer would like to do a deed in lieu of foreclosure, can they have 'cash for keys' and do they need to sign any kind of documentation for it?"

Nancy Yes, they do. And are we talking pre-foreclosure sale, is that what the question is, it deals with pre-foreclosure sale, correct?

Virginia It appears to be, yes.

Nancy So, under your non-retention options, let me just grab my notes on that. So, on your pre-foreclosure sale the first thing you're going to have to do is that Deficit Income Test must be applied. The borrower may be required to make a cash contribution. The borrower voluntarily offers the deed as collateral. I'm sorry. You'll have to forgive me. I'm looking through notes. I may not be able to answer that quickly. I'd rather move on to the next.

I would recommend again going to NFC's website because it does discuss it in detail. But off the top of my head I know the borrower has to sign that they agree that they're giving the property up, and they have to be so many months delinquent. There's a whole lot of guidance that goes along with that. FICO scores have to be such an amount. But again, off the top of my head, because I don't work specifically in the loss mitigation section, I recommend going to NFC's website to look for what those requirements are. But I know that there is a documentation that they have to sign agreeing that they did not want to agree to other loss mitigation options that may have been offered to them.

Virginia "If someone can qualify for 203(h) and possibly refinance 100% of the home's value to purchase a new home, how is this possible given that the old mortgage still exists and is a debt obligation?"

Nancy If they owned the prior home and the home was destroyed, insurance is, in fact, going to kick in to pay off the balance of that mortgage. So, there should be no obligation left over.

Virginia Okay. Thank you.

Nancy The property is insured for what's owed on it. So, the insurance will, in fact, cover that mortgage. It may not cover anything else, and that's exactly why we have the 203(h) program, to allow for the 100% financing.

Virginia "Is there a discussion of changing the HECM exam to once, like the certification exam, instead of every three years?"

Lorraine Nancy, let me answer that one. The HECM roster requirements are actually regulations and they do require the exam be every three years. So, that's something we can't change. The regulations for the HUD certified housing counselor are different, those regulations allow you to only pass the exam one time.

Nancy Thanks, Lorraine.

Virginia Thank you. "Is the borrower now accountable for any deficiency after a short sale?"

Nancy I think that's—on an FHA insured mortgage?

Virginia I would assume that's what they're asking about.

Nancy If it's an FHA insured mortgage, HUD will have paid a claim. Technically, the borrower is responsible for the claim that was paid and would be ineligible for an FHA insured mortgage for three years after the claim was paid.

Would FHA seek that money back from a borrower? The answer is no, they're just not eligible, and they may not be eligible for other government programs, such as an SBA loan or a VA loan. They may be declined from other federal services that may be available to someone who had not had a claim paid.

Virginia Alright. Thank you. "If somebody has filed bankruptcy and the previous mortgage was included in a bankruptcy but they're still making the payments and they want to buy another home, after bankruptcy can they get FHA financing?"

Nancy Okay. So, I understand, but a bankruptcy will not extinguish a mortgage. An individual, when they file bankruptcy has to include all debts in the bankruptcy filing. A home, even though it's included in the debts we're filing, it is not a debt that is relinquished. So, the borrower still has the home obviously, they've continued to make payments on that home, and would they be eligible for an FHA insured mortgage? Under the guidelines of a bankruptcy FHA requires two years from date of discharge to be eligible for consideration for an FHA insured mortgage.

Now, I want to give another example here, if they file bankruptcy and then a year and a half later let the property go to foreclosure, then the foreclosure rules apply, which means a borrower, even though the two years is up in six months that doesn't mean they can get an FHA insured mortgage because it's now going to be stricter of the two, And FHA will not allow a borrower to obtain an FHA insured mortgage when there is a foreclosure for the reason it takes three days from the date of the trustee sale day.

So, it's going to be the stricter of the two apply, unless it was due to extenuating circumstance. In either of those cases, if it was extenuating circumstance then the borrower may be eligible under both cases after one year, but again the stricter of the two. So the BK may be one year later, but if they lose the property in foreclosure two years later they're still going to have to wait the year now from the foreclosure. Again, only for extenuating circumstances.

Virginia But at any point even if it's in foreclosure they can sell a property, correct?

Nancy Oh sure, at any point. If they're in foreclosure the borrower can sell it any time. The borrower may not be eligible for an FHA insured mortgage, you have to analyze the entire credit package. But any time they can sell as opposed to losing a property to foreclosure is going to be better, whether it's FHA or any other entity, VA, Fannie, Freddie, at all costs if you could avoid foreclosure that's for sure the better way to go.

Virginia "And is the FHA Back to Work program still in effect?"

Nancy No, the Back to Work program was eliminated, I believe, in December of last year.

Virginia Okay. That seems to be the end of our questions. I know there were a few who wrote in which were really fairly case specific questions, that I'm sure that those are the ones that Nancy will get back to you on once we give her this report.

Nancy Okay. Then on that note I'm just going to say on behalf of single family FHA, the US Department of Housing and Urban Development, we'd like to thank you for interest in FHA and FHA programs, and the updates we were able to provide you today, and to the Office of Housing Counseling for hosting this for you. Thank you.

Lorraine Alright. Thank you very much, Nancy, very informative, especially the information for disaster areas relating to the 203(k) and the 203(h). That's terrific information. One thing we all have to remember is that the disaster area victims can relocate anywhere in the United States and may be coming to your community, and this is one way you can help them, by learning more about the program.

We did have some questions about FHA loss mitigation, and thank you, Nancy, for answering those. I do want to remind everyone that the National Servicing Center in Oklahoma City does offer throughout the year classroom training and they are actually in the process of updating their online training.

Nancy, I don't think their online training is available right now, is it for FHA loss mitigation?

Nancy They just completed a series of trainings on FHA loss mitigation, so the signups for those come via our—I don't know if you all publish them on your listserv, but I know when we send out our announcements we will publish them. So, the only one I know they have coming up right now is the one for disaster.

Lorraine Okay. We do publish the information when the classes are available. So, Nancy, that's a very good point. Look at your Jerrold Mayer emails for more information about that.

If you have any other questions as well that's counseling related, not FHA related, again our email box is housing.counseling@hud.gov. You can type in there FHA update, and if it's an FHA related question it's probably quicker that you do what Nancy said and do the search on the keyword search, or the FAQs through FHA, it will be quicker. Thank you very much, Nancy for those valuable tips on the easiest way to look for information. I've gone through that too and I've typed in secondary financing, and I'm like what, it's not there, so I really appreciate that tip very much.

I do want to remind folks, and we have not announced this yet so you're the first to hear, we'll be getting the listserv out fairly soon, Fannie Mae and Freddie Mac are introducing a new flex modification program starting October 1st, and Fannie Mae has agreed to provide training to the housing counselors. That is tentatively scheduled for October 10th. So, pay attention to the Jerrold Mayer listserv messages and we will be announcing that training shortly.

So, again, thank you very much to Nancy West for taking the time to educate us, and to Virginia Holman for being our logistics and our host for answering the questions. So, thank you and have a good day. This concludes our presentation.

Virginia — Thank you, everyone.

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