

HOUSING
HOPE FOR HOMEOWNERS
2011 Summary Statement and Initiatives
(Dollars in Thousands)

HOPE FOR HOMEOWNERS	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2009 Appropriation	\$461,000	\$7,055 ^a	...	\$468,055	\$3,964	\$5,445
2010 Appropriation/Request	3,000,000	473,591 ^b	...	3,473,591	2,370,607	2,367,000
2011 Request	<u>500,000</u>	<u>1,102,984</u>	...	<u>1,602,984</u>	<u>1,527,910</u>	<u>1,529,000</u>
Program Improvements/Offsets	-2,500,000	+629,393	...	-1,870,607	-842,697	-838,000

NOTE: The HOPE for Homeowners program has mandatory budget authority; therefore, the data in this table are not included as part of the Department's overall discretionary budget.

a/ The fiscal year 2009 carryover amount reported on the fiscal year 2008 year-end SF-133 adjusted for obligation that occurred on the last day of fiscal year 2008. The amount reported on the SF-133 was \$9,300,000; the amount was adjusted at the beginning of fiscal year 2009 by \$2,244,677.

b/ The fiscal year 2010 carryover includes anticipated transfer from the Working Capital Fund of \$9.5 million.

Summary Statement

The HOPE for Homeowners (H4H) Program was created by Congress to help those at risk of default and foreclosure to refinance into more affordable, sustainable loans. H4H is an additional mortgage option designed to keep borrowers in their homes. The principal obligation of all mortgages insured under the H4H program may not exceed \$300 billion. The H4H Program was established by the Housing and Economic Recovery Act of 2008 (Act), and signed into law on July 30, 2008. Under the H4H Program, eligible homeowners may refinance their current mortgage loans into a new mortgage insured by FHA. The H4H Program is voluntary for all participating parties.

As stated in the Act, the key objectives of the HOPE for Homeowners program are:

- 1) To create an FHA program, participation in which is voluntary on the part of the homeowners and existing loan holders to insure refinanced loans for distressed borrowers to support long-term, sustainable homeownership;
- 2) To allow homeowners to avoid foreclosure by reducing the principle balance outstanding, and interest rate charged, on their mortgages;
- 3) To help stabilize and provide confidence in mortgage markets by bringing transparency to the value of assets based on mortgage assets;
- 4) To target mortgage assistance under this section to homeowners for their principal residence;
- 5) To enhance the administrative capacity of the FHA to carry out its expanded role under the HOPE for Homeowners Program;
- 6) To ensure the HOPE for Homeowners Program remains in effect only for as long as is necessary to provide stability to the housing market; and
- 7) To provide servicers of delinquent mortgages with additional methods and approaches to avoid foreclosure.

HOPE for Homeowners

Under the Act, the Department of the Treasury is authorized to issue HOPE Bonds, up to the aggregate insurance amount, to finance the subsidy amounts necessary for loan guarantees, as well as for the net costs to the Federal Government of the program, including administrative costs.

The program is effective from October 1, 2008 to September 30, 2011.

Updated Guidance

On May 20, 2009, the *Helping Families Save Their Homes Act* was signed into law. This Act modifies the *HOPE for Homeowners* Program with the goal of helping additional families avoid mortgage foreclosure. The bill amends the HOPE for Homeowners Program to: (a) permit reduction of excessive fee levels, (b) provide greater incentives for mortgage servicers to engage in modifications under the Program, and (c) reduce administrative burdens to loan underwriters by making the requirements more consistent with standard FHA practices.

Key changes to the H4H Program:

- Borrowers are ineligible if their net worth exceeds \$1,000,000;
- Borrowers must not have defaulted on any substantial debt in the last 5 years;
- The age of appraisal now follows standard FHA guidance;
- Reduced mortgage insurance premiums;
- Revised loan-to-value and debt-to-income ratios;
- Maximum loan-to-value excludes the Upfront Mortgage Insurance Premium;
- Eliminated requirement for obtaining most recent two year tax returns;
- Eliminated special lender and underwriter certification;
- Exit Premium replaces Shared Equity;
- Shared Appreciation feature eliminated;
- New note and mortgage replaces previous shared equity and shared appreciation notes and mortgages; and
- Lenders must submit 5 test cases for pre-closing review by FHA.

FHA guidance has been issued related to these changes, and is effective for endorsements on or after January 1, 2010.

Outreach and Training

FHA is continuing its outreach, education, and training efforts in support of the Program. With regard to borrower outreach, FHA and other Federal agencies continue to develop an integrated consumer advertising campaign across a variety of media including radio, print, and the Internet.

**HOUSING
HOPE FOR HOMEOWNERS
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2009 Budget Authority</u>	<u>2008 Carryover Into 2009</u>	<u>2009 Total Resources</u>	<u>2009 Obligations</u>	<u>2010 Budget Authority/ Request</u>	<u>2009 Carryover Into 2010</u>	<u>2010 Total Resources</u>	<u>2011 Request</u>
Administrative Costs ..	...	\$7,055	\$7,055	\$3,397	...	\$13,158	\$13,158	...
Positive Credit Subsidy	<u>\$461,000</u>	...	<u>461,000</u>	<u>567</u>	<u>\$3,000,000</u>	<u>460,433</u>	<u>3,460,433</u>	<u>\$500,000</u>
Total	461,000	7,055	468,055	3,964	3,000,000	473,591	3,473,591	500,000

<u>FTE</u>	<u>2009 Actual</u>	<u>2010 Estimate</u>	<u>2011 Estimate</u>
Headquarters
Field
Total

NOTE: The fiscal year 2010 total resources includes anticipated transfer of \$9.5 million from the Working Capital Fund into the HOPE for Homeowners program account.

**HOUSING
SUMMARY OF BUDGET AUTHORITY
(Dollars in Millions)**

BUDGET HIGHLIGHTS

<u>Budget Activity</u>	Enacted <u>2009</u>	Current Estimate <u>2010</u>	Estimate <u>2011</u>	Increase + Decrease - <u>2011 vs 2010</u>
<u>Insurance Commitment Limitation:</u>				
Loan Guarantees <u>a/</u>.....	...	...	...	...
<u>Discretionary:</u>				
Budget Authority <u>b/</u>	NA	NA	NA	NA
<u>Mandatory:</u>				
Budget Authority				
Program account - Administrative costs.....	...	...	...	....
Program account - Positive Subsidy.....	\$461,000	\$3,000,000	\$500,000	-\$2,500,000
Carryover.....	7,055	464,091	1,102,984	638,893
Transfer from WCF <u>c/</u>.....	...	9,500	-	-9,500
Net Outlays				
Program account - Administrative costs.....	4,878	4,393	6,090	1,697
Program account - Positive Subsidy.....	567	2,362,607	1,522,910	-839,697
<u>Program Activity:</u>				
HOPE Bonds issued <u>d/</u>	461,000	3,000,000	500,000	-2,500,000

a/ Loan guarantees are not to exceed \$300 billion over 3 years, October 1, 2008 to September 30, 2011.

b/ All amounts for this program are mandatory amounts.

c/ Funds not needed by the Working Capital Fund (WCF) that were originally transferred in late fiscal year 2008 from the H4H program account in the WCF.

d/ Under the Housing and Economic Recovery Act of 2008, the Department of the Treasury is authorized to issue HOPE Bonds, up to the aggregate insurance amount, to finance the subsidy amounts necessary for loan guarantees, as well as for the net costs to the Federal Government of the program, including administrative costs.

NA= Not Applicable

**HOUSING
HOPE FOR HOMEOWNERS
Program Offsets
(Dollars in Thousands)**

Administrative Costs	<u>Amount</u>
2009 Appropriation
2010 Appropriation/Request
2011 Request	<u>...</u>
Program Improvements/offsets

Proposed Actions

None.

HOPE for Homeowners

**HOUSING
HOPE FOR HOMEOWNERS
Program Offsets
(Dollars in Thousands)**

Positive Credit Subsidy	<u>Amount</u>
2009 Appropriation	\$461,000
2010 Appropriation/Request	3,000,000
2011 Request	<u>500,000</u>
Program Improvements/Offsets	-2,500,000

The fiscal year 2011 positive credit subsidy assumptions reflect both carryover from fiscal year 2010 and a decrease in credit subsidy rate.

HOPE for Homeowners

**HOUSING
HOPE FOR HOMEOWNERS
Crosswalk of 2009 Availability
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2009 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2009 Resources</u>
Administrative Costs .....	...	...	...	...	\$7,055	\$7,055
Positive Credit Subsidy	<u>\$461,000</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>461,000</u>
Total	461,000	...	...	...	7,055	468,055

**HOUSING
HOPE FOR HOMEOWNERS
Crosswalk of 2010 Changes
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2010 President's Budget Request</u>	<u>Congressional Appropriations Action on 2010 Request</u>	<u>2010 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2010 Resources</u>
Administrative Costs .....	...	...	...	...	\$13,158	\$13,158
Positive Credit Subsidy	<u>\$3,000,000</u>	<u>\$3,000,000</u>	<u>...</u>	<u>...</u>	<u>460,433</u>	<u>3,460,433</u>
Total	3,000,000	3,000,000	...	...	473,591	3,473,591