



THE HOMEOWNERSHIP SUMMIT
"PRESERVING AND PROTECTING HOMEOWNERSHIP"
MANDARIN ORIENTAL HOTEL
WASHINGTON, DC
MAY 14, 2007



FHA FORECLOSURE PREVENTION PROGRAMS

HUD's mission is to promote homeownership and preserve communities throughout America. Foreclosure prevention actions support this mission by allowing existing borrowers to retain homeownership and by reducing the devastating impact that foreclosed and vacant properties have on communities.

"Owning a home is the American Dream, and the last thing we want is for families to see their dream turned into a nightmare. FHA lending relief measures continue to help families around the nation work through difficult times, stay in their homes and avoid foreclosure." – Secretary Alphonso Jackson

"FHA is, and has always been, committed to protecting homebuyers. Last year alone, the combined efforts of our Loss Mitigation and Housing Counseling programs assisted more than 1.6 million households through education and foreclosure prevention. The ultimate goal of FHA and our proposed Modernization is to provide borrowers with a safe financing option at a fair price. Our products and processes have been designed to do just that." – FHA Commissioner Brian D. Montgomery

LOSS MITIGATION

For its own insured portfolio, FHA has an unparalleled Loss Mitigation Program focused on home retention tools such as special forbearance, mortgage modification and partial claim.

- FHA enabled 75,000 FHA homeowners in default to remain in their homes in FY 2006. Already in FY 2007, an additional 37,000 FHA homeowners have been saved from foreclosure.
- 89% of all borrowers who received loss mitigation in 2004 still had active loans in FY 2006.
- The net benefit of \$152 million paid in home retention claims in FY 2006 equates to \$2 billion in loss avoidance for the FHA insurance funds.

FHA's Loss Mitigation program is comprehensive, dynamic and successful at both reducing financial losses and helping FHA borrowers retain homeownership. For more information on FHA's Loss Mitigation program, please visit our website at <http://www.hud.gov/offices/hsg/sfh/nsc/nschome.cfm>.



HOUSING COUNSELING

Housing counseling is the most cost effective way to educate individuals and arm them with the knowledge they need to avoid unnecessarily high-cost mortgages as well as foreclosure. FHA administers a multi-million dollar housing counseling grant program and has 2,302 HUD-approved housing counseling agencies with 1,827 of them providing default and foreclosure prevention counseling nationwide. In FY 2007, the Department will award over \$41 million in housing counseling grants up from \$13 million in FY 2000. This year, the President requested \$50 million for housing counseling grants.

- In FY 2006, agencies participating in HUD's Housing Counseling Program provided default and foreclosure prevention counseling to 171,090 households.
- 9% of all HUD funded grant activity in FY 2006 dealt with default and/or foreclosure prevention counseling.
- 92.5% of participating households receiving HUD funded default and/or foreclosure prevention counseling, successfully avoided foreclosure.

Housing counseling will also help borrowers learn about FHA products, which can help them avoid more expensive and riskier finance options or help them refinance into a safer and more affordable mortgage. To learn more about the Department's housing counseling program, please visit our website at <http://www.hud.gov/offices/hsg/sfh/hcc/hccprof13.cfm>.

FHA REFINANCING

Today, FHA is meeting the needs of many borrowers who obtained riskier and higher cost financing as evidenced by the dramatic increase in the number of conventional mortgages refinancing into FHA's portfolio.

- Subprime borrowers are paying interest rates of 10% or more. Refinancing into an FHA-insured mortgage can, on a \$200,000 mortgage, save a qualifying borrower \$3,000 to \$4,000 in the first year.
- For the first five months of FY 2007, conventional-to-FHA refinancing was up 94% from the same period in FY2006. If this current trend continues, FHA will endorse over 100,000 conventional-to-FHA refinancings in FY2007, compared to 64,474 in FY2002.

However, FHA's ability to provide a safe mortgage refinance alternative for significantly more borrowers is dependent in part on the passage of FHA Modernization legislation. Through risk-based pricing and higher loan limits, FHA could offer the opportunity for delinquent subprime borrowers to reduce their mortgage payment and return them to a tenable financial position. For more information on existing FHA-insured loan products or FHA Reform, please visit our website at <http://www.hud.gov/offices/hsg/sfh/hsgsingle.cfm>.

ADDITIONAL FHA INFORMATION

Borrowers who are experiencing difficulties with their mortgage or need additional information on default and foreclosure prevention counseling, can call HUD's Housing Counseling Program at **1-800-569-4287**. For additional information regarding FHA refinancing, please call **1-800-CALL-FHA** or contact your local lender.