

HOPE for Homeowners (H4H)

Program Update

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Status

- New law passed- May 20, 2009
 - Developing policy guidance
 - Preparing outreach plan (training and marketing with MHA)
 - Purchasing origination tool

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Changes to Law

- Premiums
- Shared appreciation
- Eligibility
 - New ban on millionaires
 - Exception for inheritance
 - Reduced lender liability on fraud
 - 31% front end at the time of the H4H application

Outstanding Issues

- Subordinate lien holder participation
- Risk of first payment default
- Complicated nature of the product
- Consumer interest/ understanding

Subordinate Lien Holder Participation

- Issue: H4H is payment in full on all existing mortgage indebtedness
- Options:
 - Upfront payment- subordinate lien holders only
 - Shared appreciation feature: rights to shared appreciation, assigned to primary and subordinate lien holders

Risk of First Payment Default

- Issue: FHA may not pay claim if FPD
- Options:
 - Borrower to bring money to closing if permitted by state laws
 - FHA will allow time- 120 days
 - Complex arrangement with investors

Complicated Nature of the Product

- Issues:
 - Specialized eligibility requirements
 - Difficult to underwrite troubled borrowers
- Options:
 - Automated eligibility tool
 - Make as consistent as possible with existing FHA practice
 - Premiums above LTV
 - No specialized lender certifications
 - Borrower certification

Borrower Certification

- Did not intentionally default
- Did not provide false or misleading information
- No other residential real estate
- No fraud convictions in the last 10 years
- Will pay on H4H loan- penalties if do not
- Did not falsify H4H application

Consumer Appeal

- Issue: Unique product features and costs
- Options:
 - Disclosure of costs and eligibility restrictions
 - Exit fee
 - Premiums
 - SAM
 - HCA training
 - Outreach events
 - Web information

Making Home Affordable

- 1st in waterfall
- Incentive payments to servicers, originators, borrowers via TARP
- Integrated marketing
 - Web
 - Events
- Servicers and counselors offer options

Next Steps

- Working with lenders, investors, consumer groups to finalize policy
- Outreach plan
- Collateral materials

Questions?