

NNA, NCLT, Shared Equity Coalition Meeting Notes with FHA Commissioner Stevens - 11/9/09

Participants

FHA: David Stevens, FHA Commissioner, Vicki Bott, Deputy Assistant Secretary of Office of Single Family Programs, Margaret Burns, Director of Office of Single Family Programs

NNA: Dave Brown, Executive Director, NNA, Eddie Latimer, President, NNA and CEO, Affordable Housing Resources, Nashville, TN, Seila Mosquera-Bruno, NeighborWorks New Horizons, New Haven, CT

NCLT: Roger Lewis, Executive Director, NCLT, Connie Chavez, NCLT – President NCLT, Sawmill Community Land Trust, Albuquerque, NM

Shared Equity Coalition: Jim Gray, NCB Capital – Shared Equity Coalition, Washington, DC, Arthur Sullivan, ARCH – Shared Equity Coalition, Bellevue, WA.

Specific issues discussed

Overview from Commissioner: FHA is under significant pressure with a high loan volume and a significant number of defaults in their portfolio.

1. Instrumentality of Government and Down-payment Loans for FHA Mortgages

Down payment assistance loans have not been performing well. If homebuyer training is making a significant difference in loan performance, then the Commissioner would like to see the data that supports this performance.

FOLLOW UP: Per Commissioner's office, in order for NWOs to be granted "instrumentality of government" enabling legislation would be needed. FHA is inclined to avoid all down-payment issues at this time due to their troubled portfolio; given the need for legislative changes, this will not move forward at this time. It was explained to group that in this environment with FHA's current troubled portfolio the down-payment issue was currently "dead". NNA to gather home counseling and default/performance information.

2. FHA and Condo Loan Concentration

FHA has issued new clarifications on the condo rules (issued last Saturday, 11-7-09). This can be accessed on the web. These documents are attached.

3. Flexible Credit Scores

Currently FHA has no 620 minimum credit score as many have been told; FHA can go much lower than 620. However, FHA underwriting requires a 90% LTV on credit scores in the lower 500's. The FHA requirement is low, but the lender credit requirements have shifted. FHA has not raised acceptable credit scores: this has been done by national and local lenders. The delinquency rate for homeowners with scores below 625 is 35%, and 500-580 is 42%. Group asked FHA to consider encouraging local and national lenders to accept lower credit scores with the compensating factor of approved homebuyer education. Given the current default issues facing FHA related to lower credit scores, Commissioner Stevens told us he needed empirical evidence that homebuyer education really made a significant difference in the performance of loans. He referred to the 2001 Freddie Mac study as not strong enough proof. The Commissioner appreciates and understands the local impact NWOs and housing counselors are

NNA, NCLT, Shared Equity Coalition Meeting Notes with FHA Commissioner Stevens - 11/9/09

having, but needs to see macro data that proves education and counseling impacts loan performance. NNA promised to find/assemble data and report back.

FOLLOW UP: NNA to gather home counseling and default/performance information.

4. FHA Support of Shared Equity Homeownership Programs

FHA is not currently a significant mortgage resource for most shared equity programs. FHA is an important resource and we would like to work with FHA to provide a wider access to FHA products for all shared equity programs. In 2005/2006, the Network/CLTs worked with Fannie Mae to revised the CLT and deed underwriting requirements. These requirements have been working for many practitioners; however, current credit market issues have made these mortgage resources less accessible. This is a good, working model for FHA.

FHA is interested in serving this segment of the mortgage market. A staff person was assigned to work on this, but he died. A new person has been assigned to this task, but needs to come up to speed.

FOLLOW UP: Network will follow up with Meg to support the effort to revise the requirements. There is a Shared Equity training in December that FHA staff can attend for free (provided copies of flyer).

- a. Resale restrictions/valuation issue: Reviewed the issue of fair return and wealth creation as reported in recent study by Champlain Housing Trust (Roger provided copies of the study to Meg after the meeting). FHA interpretation of the resale restrictions has created problems. The Commissioner asked about resale formulas: there are 2 general types of equations currently used, appraisal and indexed formulas. Each community establishes a formula and incorporates this into their lease or deed for non-CTL programs. The shared equity programs balance wealth creation and subsidy retention (maintaining long term affordability).

FOLLOW UP: Provide access to reports on wealth creation.

- b. Enforcement: The Fannie requirements were discussed and noted that they provide a good model to follow. Fannie has balanced lender risk with the CLT/program stewardship function – there is more to be done, but it is a good model. The foreclosure rate for CLTs is 0.5%, 6 x lower than the market as to 12/08. Given CLT performance and the work completed with Fannie Mae, this issue can be addressed. The Commissioner asked for up-to-date information on CLT foreclosures by quarter (Provided Meg with the foreclose press release).

FOLLOW UP: Need to clarify what additional information FHA would like included in the foreclosure survey.

- c. Certification: Network training programs are well developed and expanding as a resource for building capacity. We did not get into details on this topic.

FOLLOW UP: Roger follow up with Meg regarding the FHA revisions and the training in December.