



FHA NOW PILOT

SFJV 2008 Loan Sale

Overview

September 24, 2008

Bid Date: October 22, 2008





SFJV Transactions Accomplishments & Recoveries

Inception to date, HUD established four (4) Single Family Joint Ventures (“SFJV”) and subsequently sold approximately 22,000 assets with an unpaid principal balance (UPB) of approximately \$2.3 billion. Sale transactions to date include:

- SFJV 2002-1, LLC; Established October 2002;
Sold approximately 6,700 loans; Closed March 2007
- SFJV 2003-1, LLC; Established September 2003;
Sold approximately 6,200 loans; Closed December 2006
- SFJV 2004-1, LLC; Established July 2004;
Sold approximately 6,800 loans; Closed December 2007
- SFJV 2005, LLC; Established May 2005;
Sold approximately 2,900 loans; Going concern

With each consecutive transaction, competition and bid prices increased to improve HUD’s recoveries. Recoveries from the demonstration initiatives have been approximately 75% of the claim cost.



SFJV Transactions Accomplishments & Recoveries (continued)



57% Homeownership Retention

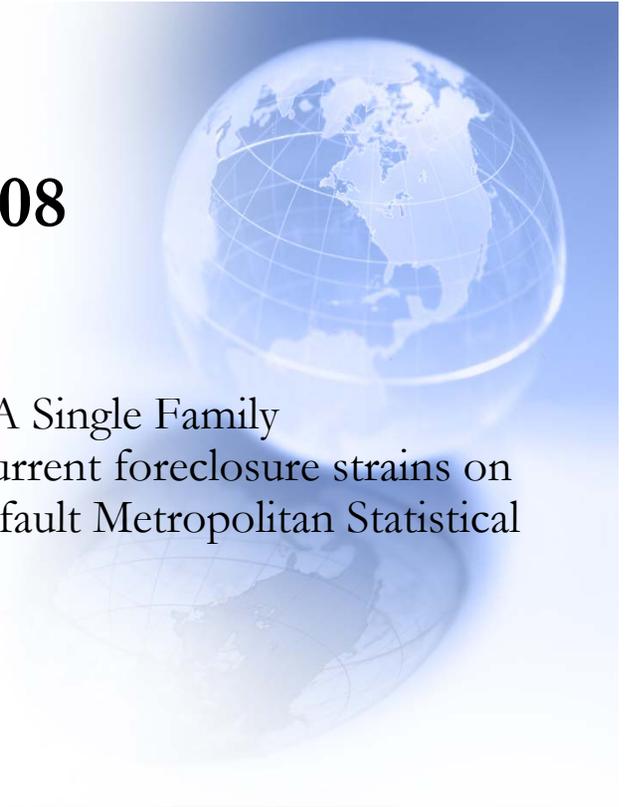
- In the four Single Family Joint Ventures, homeownership retention has been approximately 57% for homeowners in the demonstration.

105% of UPB reduced FHA claims costs

- By allowing participating FHA servicers to submit claims and assign mortgages rather than to convey properties, HUD reduced its claims cost average to 105% of UPB.



Background to SFJV 2008



FHA NOW Pilot

- This initiative, FHA New Options for Workouts for FHA Single Family Homeowners (FHA NOW) is designed to alleviate the current foreclosure strains on FHA insured homeowners in the targeted top 50 high default Metropolitan Statistical Areas (MSAs) including:
 - Detroit
 - Cleveland
 - Indianapolis
 - Atlanta

Program Goals

- Provide workout opportunities for home owners
 - Seventy-five percent (75%) of loans to come from the high-default areas
 - Reduce HUD's REO portfolio
 - Increase the value of single family assets and the recovery to FHA
 - Produce savings to FHA
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Loan Eligibility

An Eligible Loan must meet all of the following criteria:

- the related mortgage property has no more than 4 dwelling units
- the loan is an FHA-insured loan under either Section 203(b) or Section 234 of the National Housing Act, 12 U.S.C. §§ 1709 (b) and 1715y
- the loan has an unpaid principal balance of no less than \$20,000
- the related mortgaged property has not been seized by the U.S. Department of Justice and is not otherwise the subject of a seizure order
- the loan is not subject to special forbearance relief in accordance with the provisions of 24 C.F.R. S 203.614
- as of the FHA NOW Claim Identification Date, the property had not sustained damage (as defined in the CAA) in excess of 10% of the value of the property
- no foreclosure sale has been scheduled within the 60 day period after the cut-of date, there has been no foreclosure sale or pre-foreclosure sale and no deed-in-lieu of foreclosure has been accepted
- if the first step required under applicable law to initiate a foreclosure has been taken, the foreclosure has not been contested



Transaction

Parties to the Transaction:

- Joint Venture, LLC, as Owner of the Loans (formed by Member A and Member B)
- U.S. Department of Housing and Urban Development (Member A), as Seller of the Loans
- Successful bidder (Member B), as LLC Manager and Loan Servicer

Successful Bidder/SPE Ownership Interest in the LLC:

- Determined by HUD based upon bids for 60%, 75% and 90% ownership of the LLC

Bidder Eligibility:

- Bidder must have signed and submitted the Bidder Qualification Statement, the Certificate of Independent Price Determination, and the Bid Terms Acknowledgement Form prior to bidding.



Loan Delivery and Timeframe

Composition of the Monthly Loan Deliveries:

- Loans must meet the Asset Eligibility Criteria
- Loans will be acquired monthly by HUD from P-Servicers
- Prior to the bid date, each P-Servicer will have indicated the number of loans it will deliver to HUD over the six month delivery period
- During the initial delivery period, P-Servicers may double their initial commitment

Term of the Joint Venture:

- Expected to be no longer than 6 ½ years
 - Goal to liquidate the loans within a 5 year disposition period
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Bidding



Bidding Structure

- FHA will conduct a sealed bid auction.
- Bids will be expressed as a % of UPB based on the pricing matrix.
- The Bids will be evaluated via the pricing matrix that categorizes mortgage loans according unpaid principal balance, loan-to-value, foreclosure timeframe of state in which mortgaged property is located, and number of days since the initiation of foreclosure.
- Bidders will be required to submit a bid for each of the 3 levels of ownership in the LLC – 60%, 75% and 90%.
- Each bidder will be required to submit a deposit with it bid equal to 5% of the bidder's highest bid.