

Program Overview

HUD's Authority

In 1998, new legislation was passed that allows HUD to pay an FHA insurance claim on, and dispose of, defaulted single-family mortgage loans. Specifically, HUD contemplates using this new authority to: pay a claim upon assignment of the mortgage rather than upon conveyance of the property; and transfer assigned mortgage loans to a Joint Venture for servicing, restructuring, foreclosure, property management, asset disposition and other disposition alternatives.

Accelerated Claim Disposition Program

HUD is using its enhanced flexibility allowed the new legislation to implement the Single Family Accelerated Claim and Asset Disposition Program ("ACD Program").

ACD Program Goals

Resolve defaulted assets by aligning private sector interests with FHA

Reduce HUD's participation in the REO business

Increase the value of single-family assets and the recovery to FHA

Produce savings to FHA

Sale Transactions to Date

SFJV 2002-1, LLC October 2002 (approximately 6,700 loans)

SFJV 2003-1, LLC September 2003 (approximately 6,200 loans)

SFJV 2004-1, LLC July 2004 (5,000 estimated)

SFJV 2005, LLC Spring 2005 (scheduled)

Servicers/Lenders

Servicer Eligibility

A servicer must meet all of the following criteria to submit defaulted loans to the ACD Program:

- Currently service more than 20,000 FHA-insured single-family mortgages.
- Ranked in the top tiers of the FHA Tier Ranking System, which ranks mortgagees in loss mitigation use.
- Company and/or principals have at least five years of servicing experience and at least three years of experience in servicing FHA-insured mortgages.*
- Capable of interfacing with HUD's EDI and FHA Connection
- Can provide the Freddie Mac Early Indicator risk-score model. (Fannie Mae's Risk Profiler may be used as the program is expanded)

* *Subject to internal review. Other requirements may apply.*

Participation Fees

Interim Servicing Fee

The Participating Servicer will receive a post-claim servicing fee for mortgage loans servicing not transferred within 45 days of the claim submission date. The post-claim servicing fee is based on the unpaid principal balance as of the last day of the preceding month. The post-claim servicing fee is paid each month. It is based on the mortgage loan status, as follows:

- Non-performing: 65 basis points divided by 12
- Performing: 25 basis points divided by 12
- REO: \$60 per REO

Participation Fee Calculation

Currently, HUD pays participation fees ranging from approximately 2% to 5% of the unpaid principal balance. The percent depends on the date of claim submission and the state in which the mortgaged

property is located.

For example, a mortgaged property in New York and with 6 missed payments has a participation fee of 4.25%.

If the unpaid principal balance is \$90,000, the Participation Fee would be: $\$90,000 \times 4.25\% = \underline{\$3,825.00}$.

Loan Eligibility

To be eligible for an accelerated claim, a loan must meet all of the following criteria:

- The loan is in default but with no more than the maximum number of allowable missed payments by state
- The related mortgaged property has no more than 4 dwelling units
- The loan is FHA-insured under Section 203(b) and 234(c)
- The loan has an unpaid principal balance of no less than \$20,000
- The U.S. Department of Justice has not seized or issued a seizure order for the related mortgaged property
- The related mortgaged property is not located in one of HUD's Asset Control Areas
- 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 provisional approval date, the mortgaged property has not sustained any damage in excess of 10% of the property's value
- No foreclosure sale has been completed or is scheduled for the near-term, no pre-foreclosure sale has occurred, and no deed-in-lieu of foreclosure has been accepted
- If a foreclosure has been initiated, it has not been contested

Each loan approved for an accelerated claim is transferred servicing released and without FHA insurance to the LLC for servicing and ultimate disposition.

Sample ACD Claim Payment Process and Loan Delivery Timeline

1st-7th Day of the First Month

- Participating Servicer submits loans for provisional approval

15th Day of the First Month

- HUD screens for eligibility and grants provisional approval

18th-31st Day of the First Month

- Participating Servicer orders BPO and submits accelerated claim

19th-31st Day of the First Month

- HUD pays accelerated claim

Claim payment day +15 days

- Participating Servicer transfers collateral file to HUD

Middle of the Second Month

- Settlement occurs

1st Day of the Third Month

- Transfer of servicing to Joint Venture

Servicer Training

HUD conducts training sessions for new and existing Participating Servicers to learn about the ACD Program. Training materials are based on the ACD Desk Guide.

The ACD Desk Guide discusses the processes and timeframes applicable to all phases of the ACD Program — from submitting loans for eligibility screening to transferring servicing. The Desk Guide covers the following topics:

- Mortgage loan eligibility criteria
- The provisional approval process
- Pre-claim activities following the receipt of provisional approval
- Claim submission and payment
- Claim issues and remedies
- Servicing transfer and post-claim servicing
- Document transfer and imaging
- Communications protocol

In addition, weekly conference calls facilitate discussion among the Participating Servicers, the Joint Venture's Servicer (New Servicer), and HUD about the ACD Program issues.

Accelerated Claim Criteria Report Application

System Overview

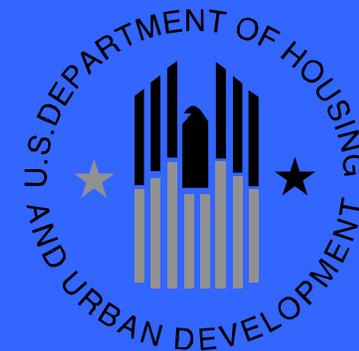
The Accelerated Claim Criteria Report Application (ACCRA) is an Internet-based tool that processes, maintains, and reports data on loans submitted for provisional approval to the ACD Program. It enables Participating Servicers to upload and validate data; processes loans for eligibility, and communicates this information to HUD and the Participating Servicers.

System Requirements

The ACCRA uses common hardware configurations, and is accessible to HUD and other authorized personnel via their personal computers with the following suggested configuration:

- 1024 x 768 resolution
- T1 or better LAN connection
- High-end Pentium processor or better

Microsoft Excel 2000 is required.



Single Family Accelerated Claim and Asset Disposition (“ACD/601”) Program

For detailed information contact:
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