

INTRODUCTION

FHA is announcing the SFJV 2004-1 sale in connection with the Single Family Asset Claim and Asset Disposition Program (ACD). In the SFJV 2004-1 sale, HUD will sell a majority interest in a public/private joint venture (SFJV 2004-1) formed to acquire, service and dispose of a pipeline of defaulted mortgage loans secured by single-family properties.

The successful bidder will be the bidder whose pricing maximizes the overall value to HUD at the equity level HUD selects.

PRELIMINARY SALE SCHEDULE 2004

Bid Package Available	May 7
Historical Claims Data	Week of May 17
Bidders Conference	June 3
Bidder Materials	Week of June 7
Bid Date	June 22
Best and Final (if required)	June 22
Bid Award	June 22/23
Closing	July 7

ANTICIPATED PIPELINE*

Unpaid principal balance:	\$180 - 550 Million
Total number of mortgage loans:	2,000 – 6,000

* Approximate

BIDDER QUALIFICATION

This is an announcement of the SFJV 2004-1 sale. It is not an offer to sell or a solicitation of offers to buy an interest in SFJV 2004-1. Only parties that submit a Confidentiality Agreement and a Qualification Statement indicating that they are qualified bidders will be eligible to receive information about, and submit bids to, acquire an interest in SFJV 2004-1.

BIDDING STRUCTURE

HUD will conduct a sealed bid auction. The bidders will be bidding to acquire a majority membership in SFJV 2004-1. Bidders will be required to submit bids on a pipeline of mortgage loans to be transferred or sold to SFJV 2004-1 by HUD in return for an ownership interest in SFJV 2004-1.

The mortgage loans will be priced by bidders for sale to SFJV 2004-1 on pricing matrices that categorize mortgage loans according to unpaid principal balance (UPB), loan-to-value, state foreclosure timeframes, and days from the initiation of foreclosure. Deliveries of mortgage loans to SFJV 2004-1 will occur monthly for six months, with the option to extend over six additional months. The number of mortgage loans delivered each month will vary. Although the servicers that assign the mortgage loans to HUD for delivery to SFJV 2004-1 will commit to minimum delivery requirements, HUD will not guarantee any minimum number of loans to SFJV 2004-1 and there can be no assurances that the servicers’ delivery requirements will be met.

Bidders are required to submit bids to purchase ownership of three different levels of ownership interest in SFJV 2004-1 – 51%, 60% and 70%. Bids will be expressed as a percentage of UPB. Each bidder will be required to submit a deposit with its bid equal to 5% of the bidder’s highest bid.

BIDDER INFORMATION

To assist bidders in the preparation of their bids, the HUD Asset Sales Office has compiled for review by bidders a bid package that includes:

- The Servicing Agreement
- The Conveyance, Assignment and Assumption Agreement
- The Limited Liability Company Agreement
- Overview of the transaction
- General information about the mortgage loans eligible to be transferred to SFJV 2004-1 and the Single Family Asset Claim and Asset Disposition Program

It is anticipated that supplements to the bid package will contain the following:

- Historical FHA single-family insurance claims paid by HUD nationwide for FY 2002, FY 2003 and FY 2004 (through March)
- Historical expenses incurred and recoveries received by HUD with respect to nationwide claims for FY 2002, FY 2003 and FY 2004 (through March)
- Historical nationwide FHA single-family mortgage loan foreclosure timeline data for FY 2002, FY 2003 and FY 2004 (through March)
- Historical nationwide default outcome data on FHA-insured single-family mortgage loans
- Claims data from the first and second sales of the ACD Demonstration under the Single Family Asset Claim and Asset Disposition Program
- Pricing Matrices
- Commitment levels of the participating servicers to deliver loans to HUD
- The Participating Servicer Agreement
- General bidding instructions and conditions, and related forms
- Wire transfer instructions
- The bid evaluation model and bid model instructions
- Bidders Guide to FHA e-Bid

BIDDER’S CONFERENCE

A Bidder’s Conference is scheduled for June 3, 2004. The Conference will be held at HUD Headquarters at 451 7th Street, SW, Room 3136, Washington, DC 20410. Qualified bidders will be given an overview of the SFJV 2004-1.

SINGLE FAMILY ASSET CLAIM AND ASSET DISPOSITION PROGRAM SUMMARY

Section 601 of the FY 1999 HUD Appropriations Act amended section 204 of the National Housing Act (12 U.S.C. 1710) to provide HUD with greater flexibility for modifying the single-family claim and property disposition process in order to maximize recoveries on claims paid. HUD has implemented the ACD Demonstration to use this new authority to pay a claim upon assignment of the mortgage loan rather than upon conveyance of the property. HUD will then transfer the assigned mortgage loans to a joint venture for servicing, restructuring, foreclosure, property management and asset disposition. The overall goal of this new program is to reduce HUD’s REO portfolio and produce savings to HUD.

In October 2002, HUD successfully executed the SFJV 2002-1 transaction in connection with the first phase of the Single Family Asset Claim and Asset Disposition Program. The sale consisted of 6,656 loans with an unpaid principal balance of \$605,930,182.

In the September 25, 2003, sale of FHA-insured single-family loans, the winning bidder was awarded a 70% equity share in a joint venture partnership with HUD to acquire, service and dispose of 4,550 single-family loans. The unpaid principal balance on this pool of loans was approximately \$439 million. HUD retains 30 percent of the equity share, with projected savings to the government of \$33 million. Delinquent single-family borrowers with mortgages included in joint venture sales have a greater range of options to remain in their homes.

OBTAINING A BID PACKAGE

The bid package will be available free of charge to qualified bidders on or about May 11, 2004. The bid package will contain information about the structure of the SFJV 2004-1 sale and the related transactional documents – the Limited Liability Company Agreement, the Conveyance, Assignment and Assumption Agreement, and the Servicing Agreement.

Supplements to the bid package, containing updated bidder information and other information, including questions and answers, will be provided to qualified bidders at a later date.

To obtain the bid package, prospective bidders must submit a completed Confidentiality Agreement and a Bidder's Qualification Statement. These documents, as well as the Certificate of Independent Pricing that will have to be submitted by each bidder with its bid, are available on the FHA Single Family Loan Sale page at:

www.hud.gov/offices/hsg/comp/asset/sfam/sfls.cfm

The executed Confidentiality Agreement and Bidder's Qualification Statement should be mailed and faxed to:

Department of Housing and Urban Development
451 7th Street, SW
Room 3136
Washington, DC 20410
Attention: Asset Sales Office
Fax: 202-708-2771

**All Questions Regarding this Brochure
Or the Transaction in General
Should be directed to:**

1-800-481-9895 Or assetsales@hud.gov

FHA ASSET SALES WEBSITE

The FHA Asset Sales website provides information about current and past FHA sales, general information about FHA, and answers to frequently asked questions. Answers to questions posed by qualified bidders will be posted to this website periodically throughout the bidder review period so all qualified bidders with passwords can access the responses. The website can be accessed at the following web address:

www.hud.gov/offices/hsg/comp/asset/sfam/sfls.cfm

Should you require assistance with the website, contact:

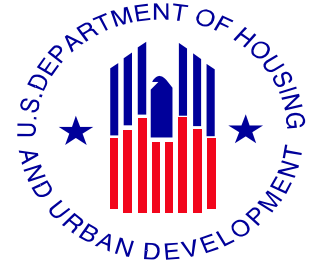
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DISCLAIMER

No representation or warranty, whether express, implied or created by operation of law, is made by HUD, FHA, or any of their respective affiliates, contractors, subcontractors, directors, officers, partners, employees, counsel, advisors or agents, as to the accuracy or completeness of the information contained herein or otherwise made available to prospective bidders in connection with the SFJV 2004-1 sale and no legal liability with respect thereto is assumed or may be implied.

No person has been authorized to make any written or oral representation as to the accuracy or completeness of the information contained or the materials referred to in this announcement and, if given or made, any such representation must not be relied upon. The purchase of an interest in SFJV 2004-1 involves substantial risk, and prospective bidders should, along with their advisors, undertake such investigation, as they deem advisable to evaluate the risks associated with such purchase.

This announcement is not an offer to sell or a solicitation of an offer to buy an interest in SFJV 2004-1 or the mortgage loans that are to be acquired by SFJV 2004-1. Further information concerning the sale will be furnished only to, and bids will be accepted only from, bidders who certify that they have such knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks, and the resources to bear the risks, of a purchase of an interest in SFJV 2004-1, and who meet the other criteria required to become a qualified bidder.



U.S. Department of Housing and Urban Development

As Part of Its On-Going Sales Program

Announces

SINGLE FAMILY JOINT VENTURE LOAN SALE SFJV 2004-1

Bid Date
June 22, 2004

Approximate UPB: \$180 - \$550 Million
Number of Loans: 2,000 – 6,000

Office of Housing
Asset Sales Office
451 7th Street, SW, Room 3136
Washington, DC 20410