

INTRODUCTION

FHA is announcing the SFJV 2003-1 sale in connection with the second phase of the Accelerated Claims Disposition (ACD) Demonstration. In the SFJV 2003-1 sale, HUD will sell a majority interest in a public/private joint venture (SFJV 2003-1) 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 2003

Bid Package Available	August 20
Historical Claims Data	Week of August 25
Bidder Materials	Week of September 2
Bid Date	September 25
Best and Final (if required)	September 25
Bid Award	September 26
Closing	October 8

ANTICIPATED PIPELINE*

Unpaid principal balance:	\$475 - \$950 Million
Total number of mortgage loans:	5,000 – 10,000

* Approximate

BIDDER QUALIFICATION

This is an announcement of the SFJV 2003-1 sale. It is not an offer to sell or a solicitation of offers to buy an interest in SFJV 2003-1. Only parties that submit a Confidentiality Agreement and a Qualification Statement indicating they are qualified bidders will be eligible to receive information about, and submit bids to, acquire an interest in SFJV 2003-1

BIDDING STRUCTURE

HUD will conduct a sealed bid auction. The bidders will be bidding to acquire a majority membership in SFJV 2003-1. Bidders will be required to submit bids on a pipeline of mortgage loans to be transferred or sold to SFJV 2003-1 by HUD in return for an ownership interest in SFJV 2003-1.

The mortgage loans will be priced by bidders for sale to SFJV 2003-1 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 2003-1 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 2003-1 will commit to minimum delivery requirements, HUD will not guarantee any minimum number of loans to SFJV 2003-1 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 2003-1 – 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, DRE Partners 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 2003-1 and the ACD Demonstration

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 and FY 2003 (through March)
- Historical expenses incurred and recoveries received by HUD with respect to claims nationwide for FY 2002 and FY 2003 (through March)
- Historical FHA single family mortgage loan foreclosure timeline data nationwide for FY 2002 and FY 2003 (through March)
- Historical default outcome data on FHA-insured single family mortgage loans nationwide for FY 2002 and FY 2003 (through March)
- Claims data from the first phase of the ACD Demonstration
- Pricing Matrices
- Commitments of the participating servicers to deliver loans to HUD
- The Participating Servicer Agreement
- General bidding instructions and conditions, and related forms
- The hypothetical pool of single family mortgage loans to be used for bid evaluation purposes
- Wire transfer instructions
- The bid evaluation model and bid model instructions
- Bidders Guide to FHA e-Bid

DEMONSTRATION 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 transaction in connection with the first phase of the ACD Demonstration. The SFJV 2003-1 sale is being undertaken in connection with the second phase of the ACD Demonstration.

ORDERING A BID PACKAGE

The bid package will be available free of charge to qualified bidders on or about August 20, 2003. The bid package will contain information about the structure of the SFJV 2003-1 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 order the bid package, prospective bidders must submit a completed Confidentiality Agreement and a 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 Qualification Statement should be mailed and faxed to:

DRE Partners
1101 Pennsylvania Ave. NW, Suite 6605
Washington, DC 20004
Attention: SFJV 2003-1 Sale Coordinator
Fax: 202-756-7323

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

1-800-554-4039

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:

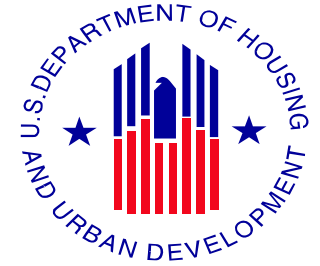
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DISCLAIMER

No representation or warranty, whether express, implied or created by operation of law, is made by HUD, FHA, DRE Partners, 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 2003-1 sale and no legal liability with respect thereto is assumed or may be implied.

DRE Partners will act solely as Transaction Specialist to FHA and will not audit or independently verify any portion of the financial information made available to bidders in connection with the SFJV 2003-1 sale. 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 2003-1 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 2003-1 or the mortgage loans that are to be acquired by SFJV 2003-1. 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 2003-1, and who meet the other criteria required to become a qualified bidder.



FEDERAL HOUSING ADMINISTRATION

As Part of Its On-Going Sales Program

FHA Announces

**SINGLE FAMILY JOINT VENTURE
LOAN SALE
SFJV 2003-1**

Bid Date
September 25, 2003

Approximate
Unpaid Principal Balance:
\$475 - \$950 Million
Number of Loans: 5,000 – 10,000

Transaction Specialist

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