



**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**  
FISCAL YEAR 2012 PROGRAM AND BUDGET INITIATIVES  
**FORECLOSURE PREVENTION AND MITIGATION**

**In Fiscal Year 2012, HUD will reaffirm its commitment to supporting foreclosure prevention and mitigation, including funding of targeted assistance and broad-based economic development initiatives.**

The state of the housing market plays a big role in shaping our well-being as individuals, the stability of our neighborhoods, and the strength of our national economy. That is why the recent downturn of the housing market—with high rates of foreclosure, increases in vacant properties, and plummeting home values—has been so devastating for families and communities alike. Although the largest factors contributing to this crisis were market driven, the American people have turned to Congress and the administration for leadership and action in righting our nation's housing market. HUD remains firmly committed to working together with communities and individuals to cope with these unprecedented challenges. This year, through a series of innovative, locally-driven efforts, as well as proposed increased funding for HUD housing programs, the Department will help communities and families get the help they need as we slowly begin to recover from this housing crisis. While this recovery will take place over time, HUD continues to strengthen its efforts to prevent avoidable foreclosures and stabilize the housing market.

**CHANGING REALITIES**

Over the course of just a few years, HUD's role in the housing market has increased substantially. In 2007, HUD's Federal Housing Administration (FHA) insured only 2-3 percent of loans in the housing market. Since then, FHA's market share has increased to an estimated 30 percent of home mortgage purchases and 20 percent of refinances. The FHA portfolio currently stands at over \$1 trillion in insured loans. HUD remains committed to effectively serving this increased population, while tailoring its programs to fit these changing realities.



While there is work still to be done, HUD is proud of the progress this Administration has made in tackling ongoing foreclosure challenges. Since April 2009, servicers report that more than 3.3 million homeowners have received restructured mortgages – more than twice the number of foreclosures completed in that time – as a result of the government's Home Affordable Modification Program (HAMP) and FHA's loss mitigation programs. An estimated 300,000 homeowners will be assisted in avoiding foreclosure through FHA programs as well as 400,000 homeowners assisted through third-party lender loss mitigation initiatives mandated by FHA but not receiving FHA subsidy. An additional 2.4 million homeowners will be assisted through joint HUD-Treasury programs. Moreover, HUD has developed several initiatives that address foreclosure prevention, including:

**Emergency Homeowner Loan Program (EHLA)**

In 2010, HUD announced \$1 billion of funding, which provides bridge loans of up to \$50,000 each to help families keep up with their mortgage payments while they seek employment

**National First Look Program**

A partnership between HUD, the National Community Stabilization Trust and large financial institutions that offers Neighborhood Stabilization Program grantees an exclusive 12-14 day window to evaluate and bid on foreclosed properties.

**Short Refinance Option**

In 2010, FHA made available an option that offers underwater non-FHA borrowers, who are current on their existing mortgage and whose lenders agree to write off at least 10 percent of the unpaid principal balance of the first mortgage, the opportunity to qualify for a new FHA-insured mortgage



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In addition, following the significant increase in market share that the Federal Housing Administration (FHA) has experienced during the recent housing crisis, as well as the period of riskier lending that preceded it, HUD is protecting taxpayer resources by investing in a set of technological and organizational changes aimed at reducing the risk in the FHA portfolio. HUD is using \$20 million in Transformation Initiative Program funds to **develop robust, state-of-the-art systems and data-driven analytic tools that detect high-risk loans and protect the portfolio from borrower default**, as well as following industry best practices and creating an Office of Risk Management, to be led by a Chief Risk Officer.

HOUSING COUNSELING ASSISTANCE

Each year, HUD awards grants to hundreds of local counseling agencies and State Housing Finance Agencies that offer a variety of services, which are especially critical in today's economic climate. HUD-approved counselors help clients learn how to avoid foreclosure, how to purchase or rent a home, how to improve credit scores, and how to qualify for a reverse mortgage. In 2009, HUD assisted over 2.5 million families through its housing counseling program, including 1.58 million potential and current homeowners with issues pertaining to mortgages and financing of their homes. In 2010, HUD awarded \$79 million for housing counseling grants, a 27 percent increase over its 2009 funding.

**In Fiscal Year 2012, HUD is requesting \$88 million in Housing Counseling Assistance.** The primary benefits of the program are to expand homeownership opportunities, improve access to affordable housing and preserve homeownership. With this level of funding, HUD anticipates serving as many as 318,187 low- to moderate-income families, as well as training approximately 4,400 counselors.

NEIGHBORHOOD STABILIZATION PROGRAM

The Neighborhood Stabilization Program (NSP) was created to address the housing crisis, create jobs, and grow local economies by providing communities with the resources to purchase and rehabilitate vacant homes. In



response to the foreclosure crisis specifically, NSP helps communities acquire, rehabilitate, and resell foreclosed and abandoned properties more quickly to prevent further decline in hard-hit neighborhoods. In the first round of NSP, funding grants went directly to state and local governments, many of which did not have the capacity to deal with the crisis on their own. Eligible nonprofit organizations had to be funded by state and local government grantees to purchase properties and carry out stabilization programs. In recognition of the needed capacity and

leadership role that nonprofits, for-profits, and other consortia play, HUD changed the eligibility requirements in the second round of funding to enable these new partners to play a lead role in the program. NSP grants are helping state and local governments, and non-profit developers acquire land and property; demolish or rehabilitate abandoned properties; and/or offer down-payment and closing cost assistance to low- to middle-income homebuyers. Grantees can also stabilize neighborhoods by creating "land banks" to assemble, temporarily manage, and dispose of foreclosed homes.

In September 2010, HUD announced \$1 billion in third-round NSP funds to provide targeted emergency assistance to state and local governments to acquire, redevelop, or demolish foreclosed properties. These awards are aimed at helping reverse the effects of the foreclosure crisis – and will reduce blight, bolster neighborhood home values, create jobs, and produce affordable housing. **Altogether, HUD has funded \$7 billion in three rounds of NSP, which is estimated to impact over 100,000 properties in the nation's hardest hit markets.**