Agency Priority Goal | Action Plan | FY 22 – Q3

Advance Sustainable Homeownership

Goal Leader: Julie Shaffer, Associate Deputy Assistant Secretary for Single Family Housing, Office of Housing
Goal Overview

Goal statement
- HUD will maximize homeownership for creditworthy first-time homebuyers and preserve homeownership for existing homeowners. By September 30, 2023, HUD will maintain a first-time homebuyer rate of at least 80% for newly endorsed FHA-insured purchase mortgages and a re-default rate for seriously delinquent homeowners who received a loss mitigation action that is below 30%.

Problem to Be Solved
- Individuals who are not traditionally served by the conventional mortgage market need opportunities to access credit and homeownership opportunities that:
  - Promote long-term financial stability through homeownership; and
  - Allow homeownership to be sustained through effective underwriting and loss mitigation policies.

What Success Looks Like
- Insurance policies that facilitate sustainable homeownership opportunities for first-time homebuyers, who make up over 80% of FHA’s single-family purchase endorsements, are properly maintained.
- Loss mitigation policies that preserve affordable homeownership for existing borrowers are maintained.
- Financial independence is encouraged for borrowers who receive a loss mitigation action.
## Goal Targets

<table>
<thead>
<tr>
<th>Achievement statement</th>
<th>Key indicator(s)</th>
<th>Quantify progress</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>9/30/23</strong></td>
<td><strong>We will...</strong></td>
<td><strong>Name of indicator</strong></td>
<td><strong>Target value</strong></td>
</tr>
<tr>
<td>Ensure at least 80% of newly approved FHA-insured purchase mortgages are for first-time homebuyers.</td>
<td>Percentage of new FHA-insured purchase mortgages approved for first-time homebuyers.</td>
<td>Above 80.0%</td>
<td>84.6%</td>
</tr>
<tr>
<td><strong>9/30/23</strong></td>
<td><strong>Ensure the re-default rate for all existing homeowners is below 30%, after loss mitigation actions have taken place.</strong></td>
<td>Re-Default Rate after loss mitigation actions.</td>
<td>Below 30.0%</td>
</tr>
</tbody>
</table>

* Re-Defaults are tracked by the fiscal year of the loss mitigation action taking place. Therefore, FY20 is the most recent year for which data are available. Defaults that occur within four quarters of a FY21 loss mitigation action will be reported in FY22 and is expected to be available in November 2022. HUD’s most recent data is from FY20, with a re-default date of 29.01%
Goal Team

Office of Housing

Senior Lead:
• Julie Shaffer, Associate Deputy Assistant Secretary for Single Family Housing, Office of Housing / Federal Housing Administration (FHA).

Team Leads:
• Paul Olin, Senior Advisor, Office of Single Family Housing.

• Shawn Jones, Director, Office of Evaluation, Office of Housing, Risk Management and Regulatory Affairs.

• David Berenbaum, Deputy Assistant Secretary, Office of Housing Counseling.
Goal Strategies

- Ensure FHA underwriting guidelines and servicing protocols more effectively serve the needs of borrowers.

- Expand access to small-balance loans.

- Engage renters earlier in the process to help them plan for homeownership.

- Modernize IT systems to mitigate operational risk and better serve low-income and first-time homebuyers.
Key Indicators

- By 9/30/2023, HUD will maintain a first-time homebuyer rate of at least 80% for newly endorsed FHA-insured purchase mortgages.

First-Time Homebuyers

- FY23 Target: 80.0%
- FY22 Target: 80.0%
- Q3 FY22: 83.8%
- FY21 Target: Target was “tracking only” in FY21
- FY21 Actual: 84.6%
- FY20: 83.1%
- FY19: 82.8%
- FY18: 82.7%
- FY17: 82.2%
By 9/30/2023, ensure the re-default rate for seriously delinquent homeowners who received a loss mitigation action that is below 30%.
Key Milestones

- Strategy: Ensure FHA underwriting guidelines and servicing protocols more effectively serve the needs of borrowers.

<table>
<thead>
<tr>
<th>Key Milestone</th>
<th>Milestone Due Date</th>
<th>Milestone Status</th>
<th>Change from last quarter</th>
<th>Owner</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete 16 trainings on FHA underwriting guidelines and servicing protocols to inform lenders and realtors on HUD programs.</td>
<td>9/30/2022</td>
<td>Complete</td>
<td>Was previously On-Track.</td>
<td>Office of Housing / FHA</td>
<td>All 16 trainings on FHA underwriting guidelines and servicing protocols have been completed, as of June 10, 2022.</td>
</tr>
<tr>
<td>Complete an evaluation of whether further changes are needed to how student loans are considered when determining creditworthiness.</td>
<td>9/30/2023</td>
<td>On-Track</td>
<td></td>
<td>Office of Housing / FHA</td>
<td>HUD has adjusted the calculation requirements of the monthly payment obligation for loans with deferred student debt in June 2021 to more accurately reflect borrowers’ student loan obligations. Specifically, HUD reduced the payment calculation percentage from 1 percent to 0.5 percent, when the student loan payment indicated on the credit report is zero.*</td>
</tr>
</tbody>
</table>

- **Strategy:** Expand access to small-balance loans.

## Milestone Summary

<table>
<thead>
<tr>
<th>Key Milestone</th>
<th>Milestone Due Date</th>
<th>Milestone Status</th>
<th>Change from last quarter</th>
<th>Owner</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete assessment of roadblocks to small-balance loans.</td>
<td>3/31/2022</td>
<td>Off-Track</td>
<td></td>
<td>Office of Housing / FHA</td>
<td>HUD allows small-balance mortgages and has identified several economic factors that impact the utilization of these programs by lenders. The Department is working on completing a Request for Information (RFI) in order to gather public feedback on small-balance loans.</td>
</tr>
<tr>
<td>Complete training sessions with Community Development Financial Institutions (CDFIs) and other institutions who issue small-dollar loans.</td>
<td>9/30/2022</td>
<td>On-Track</td>
<td></td>
<td>Office of Housing / FHA</td>
<td>This milestone is currently in progress. HUD continues to conduct engagement and outreach to CDFIs, specifically those that are approved FHA lenders.</td>
</tr>
</tbody>
</table>
**Key Milestones**

- Strategy: Engage renters earlier in the process to help them plan for homeownership.

<table>
<thead>
<tr>
<th>Key Milestone</th>
<th>Milestone Due Date</th>
<th>Milestone Status</th>
<th>Change from last quarter</th>
<th>Owner</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implement a national outreach campaign to renters to raise awareness through Housing Counseling on the potential benefits of homeownership, including wealth-building and creating equity for future generations.</td>
<td>6/30/2022</td>
<td>Off-Track</td>
<td>Was previously On-Track.</td>
<td>Office of Housing / Office of Housing Counseling</td>
<td>Procurement-related setbacks have impacted this milestone’s status.</td>
</tr>
</tbody>
</table>
• Strategy: Modernize IT systems to mitigate operational risk and better serve low-income and first-time homebuyers.

<table>
<thead>
<tr>
<th>Key Milestone</th>
<th>Milestone Due Date</th>
<th>Milestone Status</th>
<th>Change from last quarter</th>
<th>Owner</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Launch a new default monitoring system.</td>
<td>3/1/2022</td>
<td>Complete</td>
<td></td>
<td>Office of Housing / FHA</td>
<td>The Single Family Default Monitoring System (SFDMS) was released on March 1, 2022.</td>
</tr>
<tr>
<td>Update the FHA Catalyst tool to fully implement the electronic delivery of appraisals.</td>
<td>3/14/2023</td>
<td>Off-Track</td>
<td></td>
<td>Office of Housing / FHA</td>
<td>The FHA Catalyst Electronic Appraisal Delivery (EAD) Module is off-track due to operational challenges. HUD is currently assessing available options and estimated costs to get this activity back on-track.</td>
</tr>
</tbody>
</table>
Narrative – FY 22 Q3

Progress Towards Business Outcomes
As of June 10, 2022, all 16 trainings on FHA underwriting guidelines and servicing protocols have been completed. In addition, HUD has increased its support by developing new training tools for HUD certified housing counselors. This effort coincides with that of the Office of Housing Counseling (OHC) who have redesigned the rental-housing counseling and eviction webpage to enhance consumer experience; allowing renters to make informed decisions by providing key details to successfully transition to homeownership.

Q3 Accomplishments
• The Office of Housing published an update to the FHA COVID-19 Recovery Loss Mitigation Options
  • Enables lenders to provide a 40-year loan modification with a partial claim option; assisting homeowners that are behind on mortgage payments
• FHA continues its collaboration with Ginnie Mae for engagement and outreach to Community Development Financial Institutions (CDFIs)
  • For approved FHA lenders
  • Training sessions anticipated for August 23, 2022, and August 30, 2022
Summary of progress

Narrative – FY 22 Q3 cont.

Q3 Accomplishments

- OHC has counseled 517,593 consumers utilizing the HUD-approved network of Housing Counseling agencies
  - Increased support to historically underserved populations
- OHC continues to support the national emergency response and recovery housing assistance of both FEMA and HUD
  - Support for impacted consumers

Status Updates

Three milestones are currently off-track:

- Assessment of roadblocks to small-balance loans
  - HUD is currently completing an RFI to gather public feedback on small-balance loans

- National outreach campaign through Housing Counseling: the benefits of homeownership
  - Procurement related setbacks have impacted OHC’s ability to implement a national outreach campaign

- Update the FHA Catalyst tool to fully implement the electronic delivery of appraisals
  - Operational challenges are hindering HUD’s ability to update the FHA Catalyst Electronic Appraisal Delivery (EAD) Module.
    - HUD is assessing modifications to the current plan for the EAD module and are hopeful the milestone will be back on-track in the near future.
## Data Accuracy & Reliability

### Percentage of new FHA-insured purchase mortgages approved for first-time homebuyers

<table>
<thead>
<tr>
<th>Description:</th>
<th>This measure computes the percentage of FHA single-family purchase endorsements for which the borrower is a first-time homebuyer.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Source:</td>
<td>Single-Family Data Warehouse and American Housing Survey.</td>
</tr>
<tr>
<td>Dimension &amp; Unit of Measurement:</td>
<td>Percentage: Share of FHA endorsements that belong to first-time homebuyers.</td>
</tr>
<tr>
<td>Calculation Method:</td>
<td>Percentage of FHA endorsements made to first-time homebuyers.</td>
</tr>
<tr>
<td>Frequency:</td>
<td>Quarterly.</td>
</tr>
<tr>
<td>Data Quality:</td>
<td>HUD will rely on data from the Single-Family Data Warehouse, which tracks the number of FHA loans to first-time homebuyers on a quarterly basis.</td>
</tr>
<tr>
<td>Validation and Verification:</td>
<td>American Housing Survey is available every 2 years.</td>
</tr>
</tbody>
</table>

### Re-Default Rate after loss mitigation actions

<table>
<thead>
<tr>
<th>Description:</th>
<th>Four quarter re-default rate on seriously delinquent (SDQ) loans that have cured through loss mitigation.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Source:</td>
<td>Single-family data warehouse.</td>
</tr>
<tr>
<td>Dimension &amp; Unit of Measurement:</td>
<td>Rate of re-default.</td>
</tr>
<tr>
<td>Calculation Method:</td>
<td>Four quarter re-defaults / total annual cures.</td>
</tr>
<tr>
<td>Frequency:</td>
<td>Reported annually.</td>
</tr>
<tr>
<td>Data Quality:</td>
<td>HUD will rely on data from the Single-Family Data Warehouse, which tracks the number of FHA cures and re-defaults.</td>
</tr>
<tr>
<td>Validation and Verification:</td>
<td>No data limitations are known to affect this indicator.</td>
</tr>
</tbody>
</table>


Additional Information

**Contributing Programs**

Organizations:
- Office of Housing / Federal Housing Administration (FHA)
  - Single Family Housing
  - Office of Housing Counseling
  - Office of Risk Management and Regulatory Affairs
    - Office of Evaluation
- Office of the Chief Information Officer (OCIO)
- Office of the Chief Procurement Officer (OCPO)

Program Activities:
- IT Modernization
- Technical Assistance

**Stakeholder / Congressional Consultations**

The Department has consulted and will continue to work with internal and external partners, along with industry group leaders and Congressional staff to ensure FHA forward purchase mortgages are effectively targeting first-time homebuyers, and to confirm loss mitigation actions are proving effective and long-lasting.