



Agency Priority Goal | Action Plan | FY 22 – Q4

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

Achievement statement		Key indicator(s)	Quantify progress			Frequency
By...	We will...	Name of indicator	Target value	Starting value	Current value	Update cycle
9/30/23	Ensure at least 80% of newly approved FHA-insured purchase mortgages are for first-time homebuyers.	Percentage of new FHA-insured purchase mortgages approved for first-time home buyers.	Above 80.0%	84.6%	83.5%	Quarterly
9/30/23	Ensure the re-default rate for all existing homeowners is below 30%, after loss mitigation actions have taken place.	Re-Default Rate after loss mitigation actions.	Below 30.0%	29.0%	16.3%*	Annually

*Re-Defaults are tracked by the fiscal year of the loss mitigation action taking place. Therefore, FY21 is the most recent year for which data is available. Defaults that occur within four quarters of a FY22 loss mitigation action will be reported in FY23 and are expected to be available in November 2023. HUD's most recent data is from FY21, with a re-default date of 16.3%

Goal Team

Office of Housing / Federal Housing Administration (FHA)

Senior Lead:

- Julie Shaffer, Associate Deputy Assistant Secretary for Single Family Housing, Office of Housing / Federal Housing Administration.

Team Leads:

- Paul Olin, Senior Advisor, Office of Single Family Housing.
- Shawn Jones, Director, Office of Evaluation, Office of Housing, Office of Risk Management and Regulatory Affairs.
- David Berenbaum, Deputy Assistant Secretary, Office of Housing Counseling.

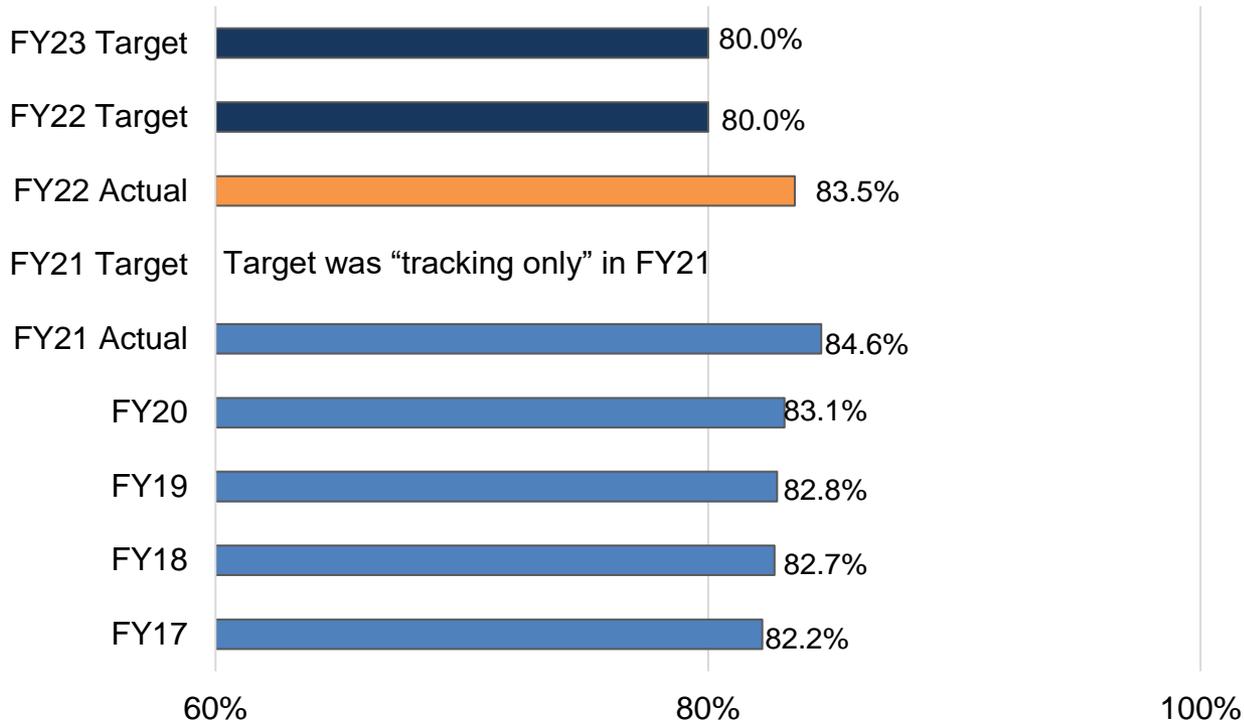
Goal Strategies

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

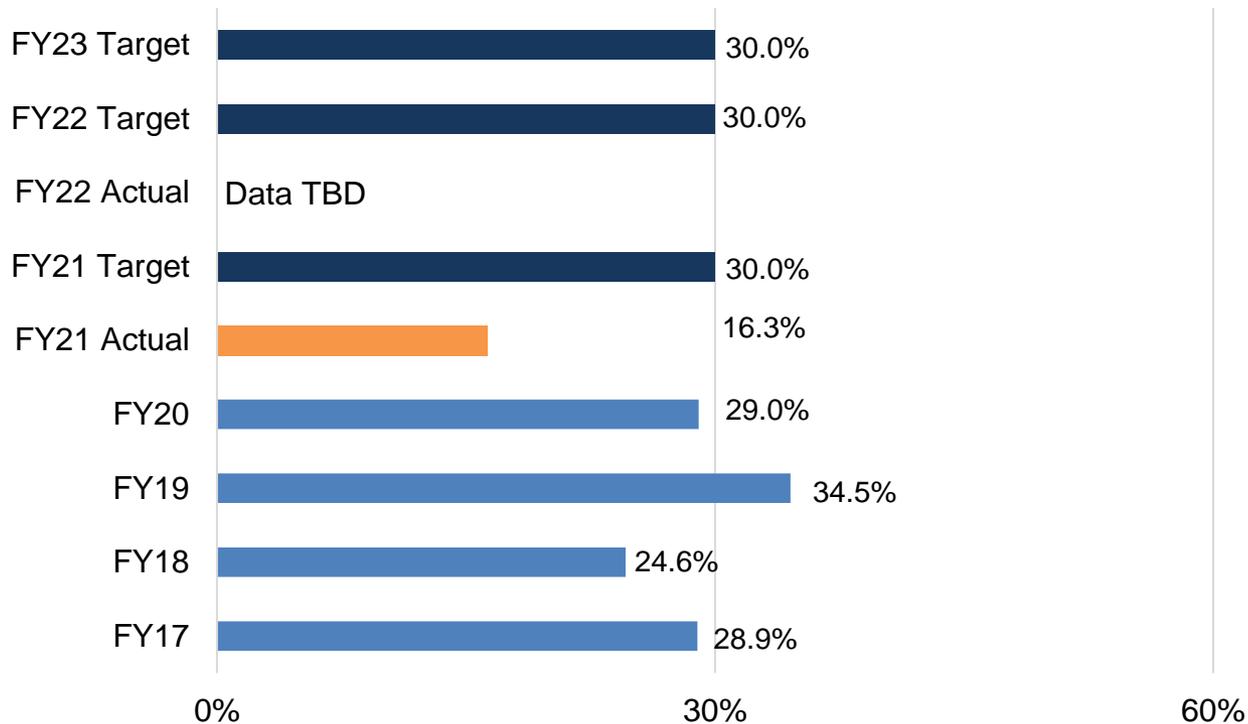
First-Time Homebuyers



Key Indicators

- By September 30, 2023, HUD will ensure less than 30% of seriously delinquent FHA-insured borrowers, who received a loss mitigation action re-default within four quarters of a loss mitigation action taking place.

Re-Default Rate



Key Milestones

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

Milestone Summary					
Key Milestone	Milestone Due Date	Milestone Status	Change from last quarter	Owner	Comments
Complete 16 trainings on FHA underwriting guidelines and servicing protocols to inform lenders and realtors on HUD programs.	9/30/2022	Complete		Office of Housing / FHA	All 16 trainings on FHA underwriting guidelines and servicing protocols have been completed, as of June 10, 2022.
Complete an evaluation of whether further changes are needed to how student loans are considered when determining creditworthiness.	9/30/2023	On-Track		Office of Housing / FHA	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.*

*Mortgagee letter can be found here: <https://www.hud.gov/sites/dfiles/OCHCO/documents/2021-13hsgml.pdf>

Key Milestones

- Strategy: Expand access to small-balance loans.

Milestone Summary					
Key Milestone	Milestone Due Date	Milestone Status	Change from last quarter	Owner	Comments
Complete assessment of roadblocks to small-balance loans.	3/31/2022	Off-Track		Office of Housing / FHA	HUD allows small-balance loans and has identified several economic factors that impact the utilization of these programs by lenders. The Department has published a Request for Information (RFI) to gather public feedback on small-balance loans.
Complete training sessions with Community Development Financial Institutions (CDFIs) and other institutions who issue small-balance loans.	9/30/2022	Complete	Was previously On-Track	Office of Housing / FHA	This milestone is now complete. Trainings were held on August 23, 2022 and August 30, 2022. HUD continues to conduct engagement and outreach to CDFIs, specifically those that are approved FHA lenders.

Key Milestones

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

Milestone Summary					
Key Milestone	Milestone Due Date	Milestone Status	Change from last quarter	Owner	Comments
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.	6/30/2022	Complete	Was previously Off-Track	Office of Housing / Office of Housing Counseling	The contract has been awarded. Work has officially begun on the multi-year national outreach effort.

Key Milestones

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

Milestone Summary

Key Milestone	Milestone Due Date	Milestone Status	Change from last quarter	Owner	Comments
Launch a new default monitoring system.	3/1/2022	Complete		Office of Housing / FHA	The Single Family Default Monitoring System (SFDMS) was released on March 1, 2022.
Update the FHA Catalyst tool to fully implement the electronic delivery of appraisals.	3/14/2023	At-Risk	Was previously Off-Track	Office of Housing / FHA	Single Family Housing's Electronic Appraisal Delivery (EAD) have been impacted by procurement-related setbacks.

Narrative – FY 22 Q4

Progress Towards Business Outcomes

As of August 30, 2022, training sessions with Community Development Financial Institutions (CDFIs) and other institutions who issue small-balance loans have been completed. Additionally, HUD officially launched a multiyear national outreach campaign. A key aspect of this effort will be to raise awareness to renters, through housing counseling, of the potential wealth-building and equity creating benefits of homeownership.

Q4 Accomplishments

- A national outreach campaign highlighting the benefits of homeownership was launched through the Office of Housing Counseling (OHC).
 - The contract has been awarded and work has begun. This multi-year effort is focused on raising awareness of the potential wealth-building aspects created for families through homeownership.
- The Office of Housing published a Mortgagee Letter (ML) to enable the utilization of positive rental history in underwriting.
 - By allowing consideration of rental payment history, FHA expects to have more borrowers who can demonstrate creditworthiness, thus further increasing homeownership opportunities for first-time homebuyers.
- FHA continues its collaboration with Ginnie Mae to engage and reach out to Community Development Financial Institutions (CDFIs).
 - Training sessions were held on August 23, 2022, and August 30, 2022.
- The Office of Housing Counseling counseled 725,313 consumers in FY22 through the HUD-approved network of Housing Counseling agencies.
 - HUD has focused on increasing support to historically underserved populations.
- The Office of Housing Counseling continues to support the national emergency response and recovery housing assistance of both FEMA and HUD.

Narrative – FY 22 Q4 cont.

Status Updates

One milestone is currently off-track:

- Assessment of roadblocks to small-balance loans
 - Housing expanded its analysis of this assessment and has published an RFI to gather public feedback on small-balance loans.

Data Accuracy & Reliability

Percentage of new FHA-insured purchase mortgages approved for first-time home buyers

Description:	This measure computes the percentage of FHA single-family purchase endorsements for which the borrower is a first-time homebuyer.
Data Source:	Single-Family Data Warehouse and American Housing Survey.
Dimension & Unit of Measurement:	Percentage: Share of FHA endorsements that belong to first-time homebuyers.
Calculation Method:	Percentage of FHA endorsements made to first-time homebuyers.
Frequency:	Quarterly.
Data Quality:	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.
Validation and Verification:	American Housing Survey is available every 2 years.

Re-Default Rate after loss mitigation actions

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

Additional Information

Contributing Programs

Organizations:

- Office of Housing / Federal Housing Administration (FHA)
 - Office of Single Family Housing
 - Office of Housing Counseling (OHC)
 - 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 will continue to work with internal and external partners, industry group leaders, and Congressional staff to ensure FHA forward purchase mortgages are effectively targeting first-time homebuyers. Ongoing efforts will continue focusing on ensuring loss mitigation actions are proving effective and long-lasting.

