

# GOVERNMENT BACKED LOANS

## MARCH 26, 2013

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Southwest Ohio, LLC

# MORTGAGE INSURANCE

- **PROBLEM:** Lower middle class Americans who are otherwise creditworthy can't buy a home if it requires a large up front down-payment.
  - Lenders require the down payment because they want to make sure they can get the value of the loan back if they have to foreclose.
- **SOLUTION:** Banks get mortgage insurance/guarantee, which protects the bank from losing money if a homeowner w large LTV goes into foreclosure.
- Relationship benefits all three parties

# FEDERALLY BACKED MORTGAGE INSURANCE / GUARANTEES

- **FHA LOANS**
  - Federal Housing Administration (FHA) Single Family Insured Mortgage Program
  - Through Dept of Housing & Urban Development (HUD)
- **VA LOANS**
  - Department of Veterans' Affairs Loan Guarantee Home Loan Program
- **FARM LOANS / FmHA LOANS / RHS LOANS**
  - Rural Housing Service Guaranteed Loan Program
  - Through United States Department of Agriculture (USDA)

# COMMON THEMES

- Laws and regulations focus on
  - Origination Standards: What kind of loans get insured?
  - Servicing / Loss mitigation: What does the bank have to do before it can get an insurance claim?
- Loss Mitigation typically has two components:
  - Outreach to homeowners, and
  - Waterfall of workout options
  - Regular HAMP does NOT APPLY

FHA LOANS

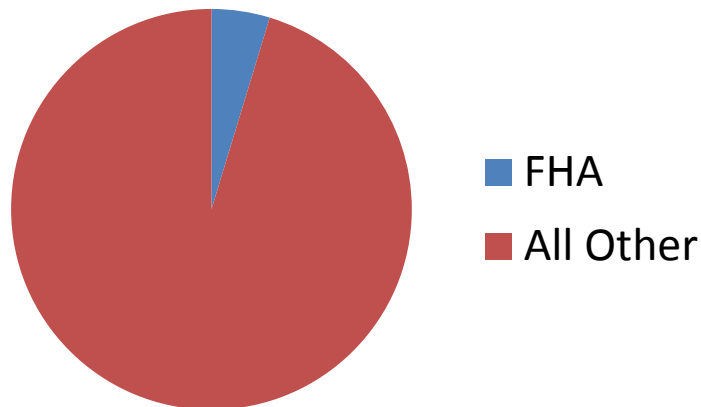
Federal Housing

Administration

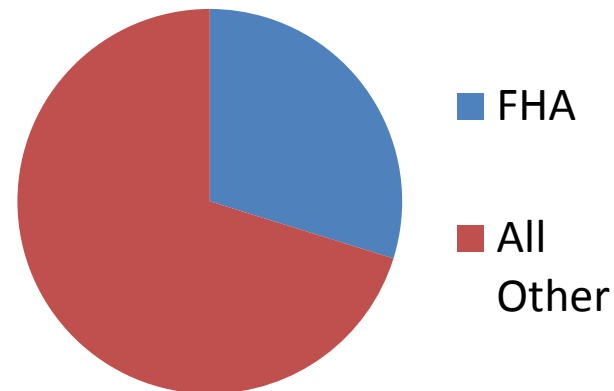
# FHA LOANS

- FHA Mortgage Insurance protects lenders against full loss in the event of default.
- Borrowers are typically low income, first time home buyers with fair to good credit.

**% FHA Purchase Money Loans, 2004**



**% FHA Purchase Money Loans, 2011**



# MULTISTATE FIXED-RATE FHA NOTE

## NOTE

CINDY CARPENTER  
BUTLER COUNTY  
CLERK OF COURTS

FHA CASE NO.

411-~~XXXXXXXXXX~~

May 08, 2007  
[Date]

Hamilton, OH 45015  
[Property Address]

### 1. PARTIES

"Borrower" means each person signing at the end of this Note, and the person's successors and assigns; "Lender" means Taylor, Bean & Whitaker Mortgage Corp.

and its successors and assigns.

### 2. BORROWER'S PROMISE TO PAY; INTEREST

In return for a loan received from Lender, Borrower promises to pay the principal sum of **Eighty Thousand Seven Hundred Ninety Four and no/100** Dollars (U.S. \$ **80,794.00**), plus interest, to the order of Lender. Interest will be charged on unpaid principal, from the date of disbursement of the loan proceeds by Lender, at the rate of **Six and Three Quarters**

percent ( **6.7500** %) per year until the full amount of principal has been paid.

# OHIO FHA MORTGAGE

(Space Above This Line For Recording Data)

## OPEN-END MORTGAGE

FHA CASE NO.

411-██████████

MIN: ██████████

THIS MORTGAGE ("Security Instrument") is given on May 08, 2007

The mortgagor is ██████████ UNMARRIED

(“Borrower”). This Security Instrument is given to Mortgage Electronic Registration Systems, Inc. (“MERS”) (solely as nominee for Lender, as hereinafter defined, and Lender’s successors and assigns), as beneficiary. MERS is organized and existing under the laws of Delaware, and has an address and telephone number of P.O. Box 2026, Flint, MI 48501-2026, tel. (888) 679-MERS. Taylor, Bean & Whitaker Mortgage Corp.

(“Lender”) is organized and existing

under the laws of FL

has an address of 1417 North Magnolia Ave, Ocala, FL 34475

Borrower owes Lender the principal sum of Eighty Thousand Seven Hundred Ninety Four and no/100 Dollars (U.S. \$80,794.00).

This debt is evidenced by Borrower’s note dated the same date as this Security Instrument (“Note”), which provides for monthly payments, with the full debt, if not paid earlier, due and payable on May 01, 2037

This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest, and all renewals, extensions and modifications of the Note; (b) the payment of all other sums, with interest, advanced under paragraph 7 to protect the security of this Security Instrument; and (c) the performance of Borrower’s covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower does hereby mortgage, grant and convey to MERS (solely as nominee for Lender and Lender’s successors and assigns) and to the successors and assigns of MERS the following described property located in Butler County, Ohio:

See Attached Exhibit A.

EXHIBIT A IS ATTACHED HERETO AND MADE A PART HEREOF



# FHA LOANS: FACE TO FACE MEETING

In some cases, the bank is required to set up a “**face-to-face**” meeting with the homeowner to talk about alternatives to foreclosure (“loss mitigation”).

## WHAT TO WATCH FOR:

- Watch for a letter! (especially by certified mail)
- Call the servicer back! (maybe with you on the line)
- Refer to an attorney!

# FHA LOANS: “LOSS MITIGATION”

The servicer is always required to conduct “loss mitigation” reviews in the first few months of a delinquency.

## WHAT TO WATCH FOR:

- Return financial information early
- Know the basics at least as well as the bank’s representatives: NOT HAMP
- If a person should be getting help but isn’t, escalate to the National Servicing Center and/or refer to a lawyer!
  - NSC: (877) 622-8525

# FHA LOSS MITIGATION WATERFALL

- 1. Repayment Plan
- 2. Forbearance Agreement
- 3. Partial Claim– HUD pays a portion of the insurance claim early, to catch up, and adds an interest free balloon payment to the end of the loan.
- 4. Standard Modification (ML 09-36; ML 12-22)
  - Might be rare after 3/15/13.
- 5. FHA HAMP (ML 09-23; ML 12-22)
  - Combines reduced rate, longer term, and partial claim to reduce pmt to 25%-31% GMI, but no lower than 20% off earlier mortgage payment.

# FHA: RED FLAGS

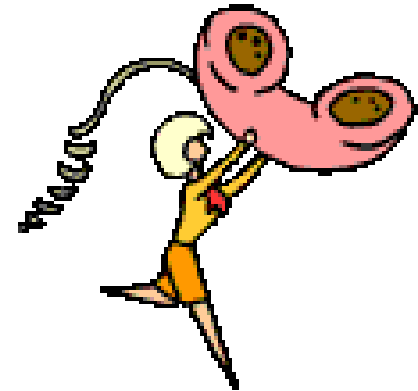
- “We can’t do anything because the loan is more than 12 months behind”
  - FALSE under new rules effective 3/15/13
- “We already looked at this loan last fall and there’s nothing we can do.”
  - FALSE, if prior review was before 3/15/13 and the loan isn’t 30 days from SALE, then it must be re-evaluated under the new rules.
- “You can never get more than one modification for FHA loans”
  - FALSE, although you can only do one option every 2 years
- “We don’t have to do loss mitigation because the loan isn’t an FHA loan anymore”
  - FALSE?

# DASP: WHAT TO WATCH FOR

Under DASP, HUD pays off the loan and sells it to a third party investor, supposedly stripping off FHA rules

## WHAT TO WATCH FOR:

- Only for homeowners who are very far behind.
- Homeowners might see their loan transferred to from well known lender to obscure “finance” or “investment” company.
- Might see unusual loss mitigation offers
- **CALL ME!!!**
  - (513) 362-2846 or
  - Steven Sharpe at (513) 362-2788.



VA LOANS

Veterans

Administration

# VA LOANS

- VA Home Loan Guaranty Program was created after WWII as part of the G.I. Bill
- Loans are made by private lenders, and guaranteed by the U.S. Government via the Veteran's Administration.
- Loan documents look standard, except for large disclosures at the top of each, and language added about VA Regs.

# SPOTTING VA LOANS

## VA NOTE

### NOTE

**NOTICE: THIS LOAN IS NOT ASSUMABLE WITHOUT THE APPROVAL OF THE DEPARTMENT OF VETERANS AFFAIRS OR ITS AUTHORIZED AGENT.**

November 20, 2003

*(Date)*

Cincinnati

*(City)*

OH

*(State)*

Cincinnati, OH 45239

*(Property Address)*

#### 1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I promise to pay U.S. \$ 117,561.00 (this amount is called "Principal"), plus interest, to the order of the Lender. The Lender is

GNAC Mortgage Corporation

I will make all payments under this Note in the form of cash, check or money order.

I understand that the Lender may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder."

#### 2. INTEREST

Interest will be charged on unpaid principal until the full amount of Principal has been paid. I will pay interest at a

EX



# SPOTTING VA LOANS: MORTGAGE

03-4298

[Space Above This Line For Recording Data]

V.A. NO. [REDACTED]  
Loan No. [REDACTED]  
MIN [REDACTED]

## MORTGAGE

**NOTICE: THIS LOAN IS NOT ASSUMABLE WITHOUT THE APPROVAL OF THE DEPARTMENT OF VETERANS AFFAIRS OR ITS AUTHORIZED AGENT.**

### DEFINITIONS

Words used in multiple sections of this document are defined below and other words are defined in Sections 3, 11, 13, 18, 20 and 21. Certain rules regarding the usage of words used in this document are also provided in Section 16.

- (A) "Security Instrument" means this document, which is dated November 20, 2003, together with all Riders to this document.
- (B) "Borrower" is

# VA LOANS: OUTREACH:

Lender should be sending out a specific letter with VA contact information early in the delinquency.

## WHAT TO WATCH FOR:

- If the homeowner has had literally no contact, special rules apply.
- Important for the homeowner to open mail!
- The homeowner can contact the VA for help
- Know the consequences: could lose VA benefits

# VA LOANS: LOSS MITIGATION

## WHAT TO WATCH FOR:

- Don't let the servicer say there's nothing they can do. (refer to lawyer!)
- VA-HAMP (slightly different, e.g., special VA-NPV test, no trial plan, no 5-yr window)
- **BE CAREFUL WITH DEED IN LIEU / SHORT SALE:**  
VA may pursue deficiencies even if bank waives. Refer to an attorney and call the VA!

# USDA LOANS

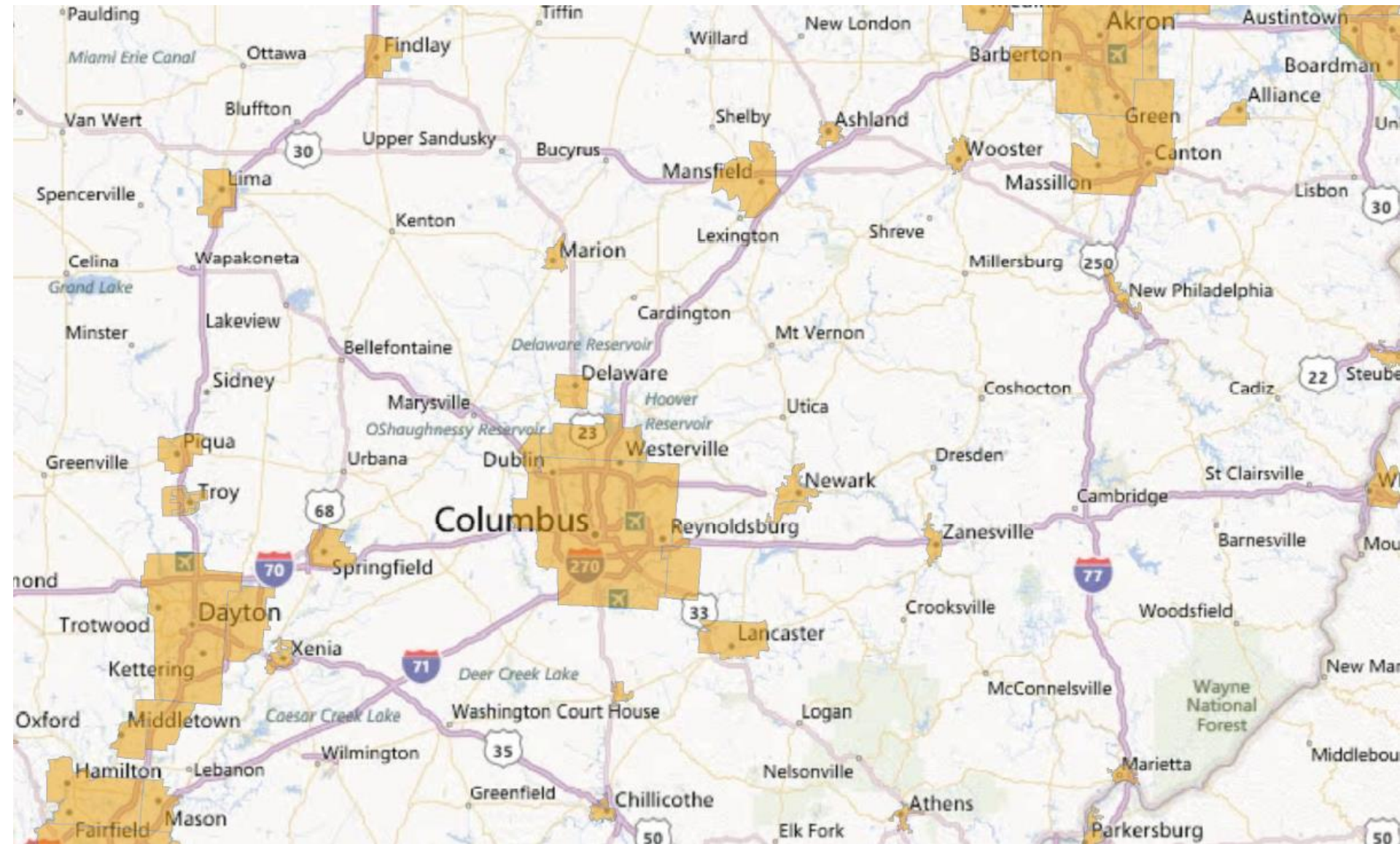
## United States Dep't of Agriculture

Direct / Guaranteed

# USDA LOANS

- Run by Rural Housing Service (RHS), a subdivision of Rural Development (RD). Formerly run by Farmers Home Administration (FmHA).
- Sometimes referred to as “farm loans.”
- Two programs: Direct Loans and Guarantee Program
- Must be in “Rural” area to qualify.

# RURAL vs. NONRURAL IN OHIO



# USDA DIRECT LOANS

- Mortgage loan made directly by the federal government to the borrower, and serviced by the USDA.
- Very low interest rates, subsidized payments.
- Spotting USDA Direct Loans: Lender will be USDA, Plaintiff in f/c will be United States

# USDA DIRECT LOANS: LOSS MITIGATION

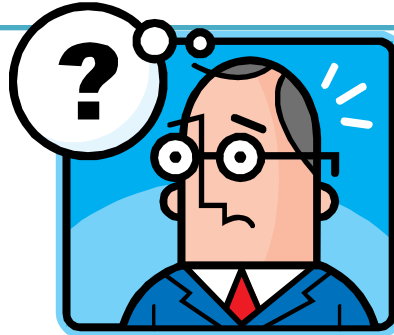
- Due Process: Multi-layered internal appeals process BEFORE acceleration.
  - Reconsideration, Mediation, Appeal
  - National Appeals Division
  - IMPORTANT TO CATCH BEFORE FORECLOSURE
- Moratorium
  - Stops payments for up to 2 years, then re-amortizes
  - Only for specific hardships:
    - 20% reduction in income, beyond borrowers control
    - Illness or death of borrower or family member
    - Prohibitive repairs to property under some circumstances



# USDA GUARANTEED LOANS

- Section 502 Rural Housing Guaranteed Loan Program
- Lenders can recover 90% of outstanding principal balance
- More like FHA/VA: Private lenders, USDA guarantees behind the scenes.

# SPOTTING USDA GUARANTEED LOAN



- Can't tell whether a loan is USDA guaranteed from looking at the loan documents.
- Can't tell by looking to see if house is in "rural" area (map)
- You have to find the HUD-1 from closing, either through borrower's documents or through discovery.
- Sometimes homeowners will know they have a "farm loan"

# SPOTTING USDA GUARANTEED LOAN: HUD-1

- “FMHA” or “FmHA” Box Checked at top right

OMB No. 2502-0265

<p>A. U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SETTLEMENT STATEMENT</p>	<p>B. TYPE OF LOAN</p> <p>1. <input type="checkbox"/> FHA      2. <input checked="" type="checkbox"/> FMHA      3. <input type="checkbox"/> CONV. UNIBS.          4. <input type="checkbox"/> VA      5. <input type="checkbox"/> CONV. INS.</p>
<p>6. FILE NUMBER:      7. LOAN NUMBER</p>	
<p>8. MORTGAGE INS. CASE NO.:</p>	
<p>C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.</p>	
<p>D. NAME &amp; ADDRESS OF BORROWER:</p>	
<p>E. NAME &amp; ADDRESS OF SELLER:</p>	

- Rural Guarantee Fee in 800s:

812. FIRM SPECIAL FEE/CHARGE TO UNITED CREDIT MORTGAGE OF OHIO P.V.C.		
813. Processing Fee To: Roblake Processing		600.00*
814. Rural Guarantee Fee To: USDA Rural Development	1,936.00	

# USDA GUARANTEED LOANS: LOSS MITIGATION

Just like FHA loans, USDA guaranteed loans have their own completely separate system for loss mitigation.

## WHAT TO WATCH FOR:

- Basic loss mitigation options are similar to FHA
  - No face to face meeting, but the servicer should be contacting the homeowner early.
- If it seems like a homeowner should qualify for something but isn't getting help, refer to a lawyer.

# USDA GUARANTEED LOANS LOSS MITIGATION WATERFALL

- Just like VA loans, BE MINDFUL OF DEFICIENCIES!

# FHA/VA/USDA: QUESTIONS

- Contact information:
  - Brian Howe, Legal Aid Society of Southwest Ohio
  - [bhowe@lascinti.org](mailto:bhowe@lascinti.org)
  - (513) 362-2846

