



FROM THE DESK OF CAROL GALANTE

January 25, 2013

Dear Stakeholders,

As we begin a new year and a new Administration, I will be using this letter as a regular, bi-monthly means of communicating with you. I hope that you find it a useful vehicle in keeping up with changes and updates within HUD's Office of Housing.

Obtaining an FHA-Insured Mortgage After Foreclosure

Recently, we have seen a proliferation of web-based and print advertising regarding the supposed ease of obtaining an FHA-insured loan following a foreclosure. Often, this advertising implies that almost any borrower can acquire a new FHA-insured mortgage three years after completing a foreclosure, without meeting any particular requirements or qualifications. But as you, our partners, are well aware, this simply isn't true.

While it is indeed accurate that FHA policy permits homeowners who experienced a foreclosure to obtain FHA financing three years after their foreclosure, they may only do so in accordance with FHA's standard origination and underwriting guidelines. Therefore, these borrowers must have re-established a satisfactory credit score and meet our customary loan underwriting requirements. Simply put, there is no guarantee that a borrower with a prior foreclosure will qualify for FHA-insured financing three years after a foreclosure.

I want to make clear that we take seriously the issue of false or misleading advertising regarding FHA-insured loans. Advertisements that imply that little or no qualification criteria are necessary to obtain an FHA loan are unacceptable. And FHA will not hesitate to take action within its authority to enforce its requirements related to lender advertising, including sanctions by HUD's Mortgagee Review Board and/or referral to the HUD Inspector General or the Consumer Financial Protection Bureau (CFPB).

Your work and partnership are vital to the ongoing recovery of the housing market and our economy. And as the recovery continues, it is important that families most impacted by the recession have an opportunity to rebuild their lives and gain access once again to homeownership. But if there is anything the crisis has taught us, it is that the success of our industry is dependent on the quality and sustainability of the loans originated.

So I hope that you will continue to work with us to ensure that FHA loans are advertised and made to qualified borrowers who are able to meet our standards. And if you come across false or misleading advertising regarding FHA programs, please let us know by contacting the FHA Resource Center at 1-800-CALL-FHA or by email at answers@hud.gov

HUD.gov/FHA

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HUD's HOUSING COUNSELING INITIATIVES

I also wanted to provide some updates on HUD's Housing Counseling Program. With the recent launch of the Office of Housing Counseling, HUD and FHA intend to provide individuals and families with the knowledge they need to obtain, sustain and improve their housing through the support of a strong national network of HUD-approved housing counseling agencies and counselors.

We are working to make quality housing counseling more accessible to families in a number of ways. First, we are exploring policies to mandate or incentivize the use of HUD housing counseling with FHA loan products and in the loss mitigation process. We will solicit your ideas and feedback regarding the specific contours of this initiative in the coming months. So stay tuned and be sure to offer your suggestions as we seek to make housing counseling more effective and impactful for FHA borrowers.

Second, the Office of Housing Counseling published this week a Fiscal Year 2013 Notice of Funding Availability (NOFA) for the Housing Counseling Grant Program. Here's a link for more information: http://portal.hud.gov/hudportal/HUD?src=/program_offices/

The \$19.5 million in funding provided by this NOFA is intended to support HUD-approved counseling agencies in responding flexibly to the needs of residents and neighborhoods, and delivering a wide variety of housing counseling services to homebuyers, homeowners, renters, and the homeless. The NOFA has been redesigned, and includes a number of procedural changes that streamline application and program requirements. This NOFA will award grants sooner, encourage efficient and effective counseling programs, and reduce administrative burdens on applicants and HUD.

Rental Assistance Demonstration

Finally, I want to mention the Rental Assistance Demonstration (RAD) program, the Obama Administration's groundbreaking strategy to preserve tens of thousands of public and HUD-assisted housing units. During the second half of 2012, HUD's Office of Multifamily Housing worked in conjunction with HUD's Office of Public and Indian Housing to launch the first component of the RAD program.

RAD's Initial Application Period for Public Housing and Moderate Rehabilitation (Mod Rehab) properties, under the first component began on September 24, 2012 and closed on October 25, 2012. During the application window, the Department received and reviewed 116 applications proposing to convert 12,940 units. These applications represented a broad range of applicants in terms of PHA size, geographic distribution, conversion type, and financing sources. Earlier this month, HUD announced that 112 of these applications have been awarded a commitment to enter into a Housing Assistance Payment contract.

In addition, HUD approved 11 requests from private owners of assisted housing projects to convert and extend rental assistance contracts for 1100 units.

Combined, the commitments are projected to preserve more than 13,000 public and other HUD-assisted housing units for the next 20 years. These initial projects are expected to leverage upwards of \$650 million in private leverage dollars and create and support nearly 10,000 jobs. View the full list of awards here: <http://portal.hud.gov/hudportal/>

HUD has also been accepting and reviewing requests on a rolling basis for conversions under the second component of RAD, which is open to Rent Supplement, Rental Assistance Payment, and Mod Rehab properties. Additional RAD information can be found on the [RAD Website](#).

Conclusion

As this new term begins, I look forward to working with all of you as together we strive to fully restore the health of the housing market and provide access to sustainable homeownership opportunities for qualified borrowers.

Have a great year.