FEDERAL HOUSNG ADMINISTRATION

Expanded Opportunities for Participation

FHA's Loan Sale Training Conference for Non-profit Organizations

OFFICE OF ASSET SALES

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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Expanded Opportunities for Participation

FHA's Loan Sale Training Conference for Non-profit Organizations

September 29th, 2021
11:00 a.m. to 3:00 p.m.
Virtual Conference

WELCOME AND OVERVIEW

11:00 am – 11:05 am

John Lucey

Director, Office of Asset Sales

Expanded Opportunities for Participation

FHA's Loan Sale Training Conference for Non-profit Organizations

Conference Agenda	Speaker/Title/Topic
Welcome and Overview	John Lucey, Director, Office of Asset Sales
Key Loan Sale Personnel	
Goals and Objectives	
Opening Remarks	Lopa Kolluri, Principal Deputy Assistant Secretary for the Office Of Housing
Session 1	FHA Loan Sale Overview, Non-profit Participation, & New Initiatives
Break	- - - -
Session 2	Bidder Qualification
Session 3	Success Stories and Interactive Discussion
Closing Remarks	John Lucey, Director, Office of Asset Sales
Glossary of Terms	
Upcoming Sales and Opportunities for Participation	
Please email HUDSales@falconassetsales.com with questions or for additional information.	

Key Loan Sale Personnel

Office of Housing/Federal Housing Administration

- Lopa Kolluri – Principal Deputy Assistant Secretary for the Office Of Housing/Federal Housing Administration

Office of Asset Sales (OAS)

- John Lucey – Director, Office of Asset Sales
- Marlene Robinson, Senior Program Advisor
- Emily Heller, Senior Program Advisor
- Sennai Cham, Financial Analyst

HUD OAS Transaction Specialist (TS)

- Phillip Thigpen – Financial Markets, Guidehouse, LLP
- Dan Wentworth – Project Manager, Falcon Capital Advisors
- Juliette Loccisano – Senior Consultant, Guidehouse, LLP
- Colleen Burke – Associate Director, Guidehouse, LLP

Expanded Opportunities for Participation

Goals of Conference

- Provide an overview and history of FHA Loan Sales and encourage increased participation by Non-profits and community-based organizations
- Describe enhancements designed to increase participation by Non-profit and community-based organizations
- Encourage outcomes that prioritize affordable homeownership opportunities or create other positive outcomes for communities

Objectives

- Educate Non-profit and Government Entity stakeholders about FHA Expanded Loan Sale opportunities
- Explain targeted outcomes for upcoming FHA Loan Sales
- Receive actionable feedback on loan sale enhancement and its impact on increasing affordable housing stock; additional ways to increase & enhance Non-profit and Governmental Entity participation in FHA loan sales

OPENING REMARKS

Lopa Kolluri

Principal Deputy Assistant Secretary for the Office Of Housing

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Session 1

FHA Loan Sale Overview, Non-profit Participation, & New Initiatives

Session 1

FHA Loan Sale Overview, Non-profit Participation, & New Initiatives

- John Lucey, Moderator
- Sennai Cham
- Emily Heller
- Marlene Robinson

Discussion Topics:

- FHA Loan Sale Goals & History
- Sale Type Overview
- Historical Non-profit Participation
- Pooling & New Initiatives

Goals of FHA Loan Sales

- Allows FHA to accept assignment and sell due and payable mortgages prior to foreclosure and property conveyance
- Allows FHA to target sale of mortgage notes that are secured by vacant or abandoned real property that are Secretary-held assets
- Maximizes recoveries and mitigates long-term losses to the Mutual Mortgage Insurance (MMI) Fund on behalf of the U.S. taxpayer through a competitive market auction
- Promote mission objective outcomes

Session 1

FHA Loan Sale History and Evolution

2010

- Single Family Loan Sale pilot restarted with sales of 300-500 notes

2012

- Renamed as Distressed Asset Stabilization Program (DASP) to address the increase in FHA-insured delinquent notes and inventory of foreclosed properties conveyed to HUD
- Introduced Neighborhood Stabilization Outcome (NSO) pools to address the potential for a large number of foreclosures of FHA-insured delinquent notes in specific geographies

2015

- Offered first pool available to Non-profit bidders only

2016

- Enhanced requirements implemented (enhanced loss mitigation evaluations, payment shock protection, no walk-away prohibition)
- First offering of Non-profit Set-aside and Carve-outs

2017*

- First HUD-held Vacant Loan Sales (HVLS)

Since 2017

- Sale of HECM notes have been the focus of FHA Loan Sales since 2017

* A total of 108,616 notes were purchased from Forward Loan Sales from 2010-2017.

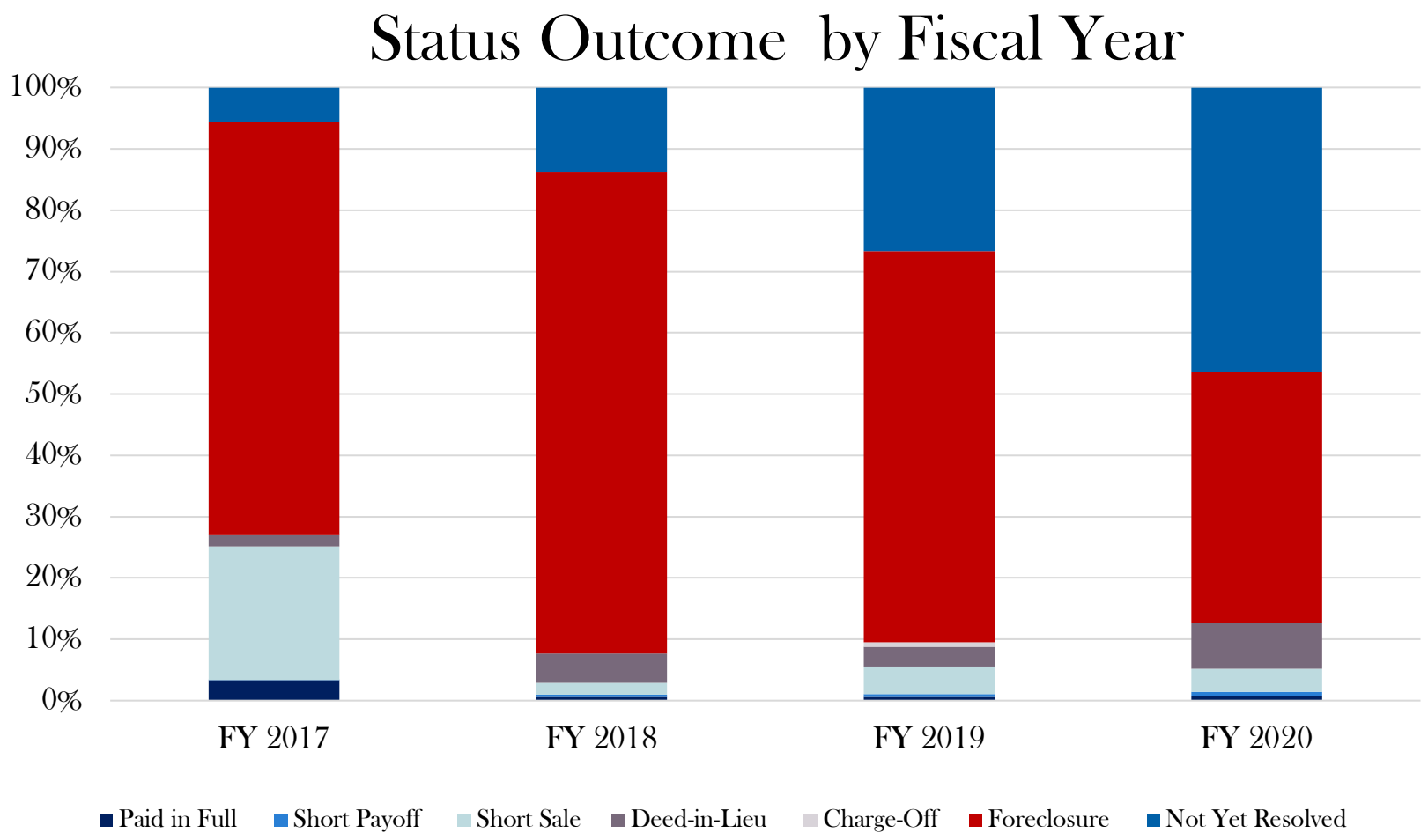
Session 1

FHA Loan Sale Types

- HVLS sales initiated in 2017 to address the increasing inventory of assigned vacant HECM notes that secured vacant or abandoned real property
- Characteristics of due and payable HECM notes that we sell
  - Borrower/Co-borrower and any Eligible Non-Borrowing Spouse are Deceased
  - Property is Vacant or Abandoned
  - Heirs of Borrower(s) have not paid off debt
- Since 2017 HUD has held six HVLS sales
  - Based on Non-Profit interest, HUD offered Non-Profit set aside and carve-out pools in HVLS 2019-1

Session 1

HVLS Historic Outcomes



Direct Sales

- Assets sold directly to a Government Entity, which may choose to partner with Non-profits, with Office of Management Budget (OMB) approval
  - Inquiries can be made either by the Government Entity or by HUD
- HUD has executed 4 Single Family direct sales

Commercial Asset Sales

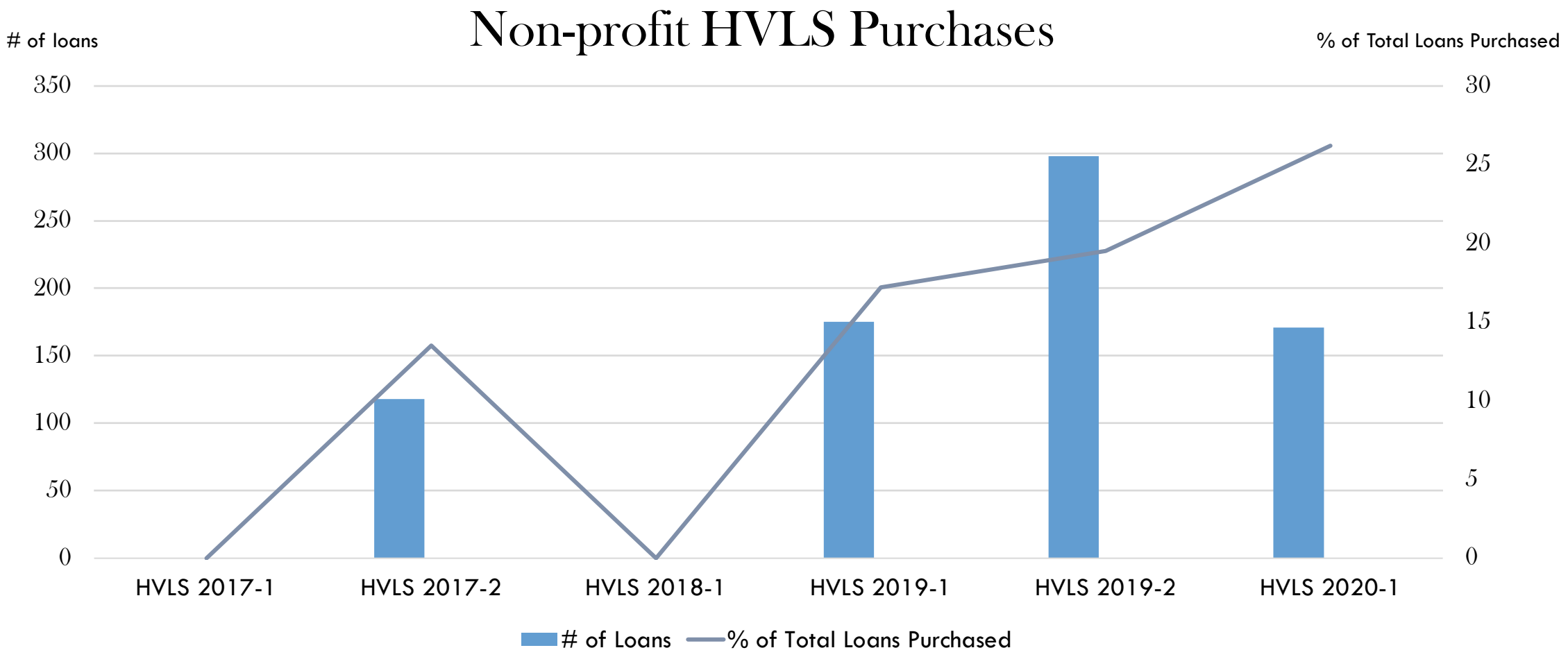
- Since the 1980s HUD has sold multi-family and healthcare defaulted mortgage notes. Since 2002, HUD has sold 712 notes securing 463 multifamily and 249 healthcare assets with about $4.7 billion in UPB
- MHLS 2022-1 – Scheduled for October 20, 2021, consists of 11 notes secured by 9 assets: six healthcare and three multifamily properties with a total UPB of $42.3 million

Non-profit Pool Types Offered in Previous Loan Sales

- *Stand Alone:* A pre-defined pool of loans offered only to non-profit bidders. Stand-alone pools were offered beginning in SFLS 2015-1 to allow Non-profit bids to be competitive. Bids were evaluated against all other Non-profit bids.
  - Of the eight stand-alone pools offered in SFLS 2016-1 and SFLS 2016-2, four were not awarded
- *Set-aside:* A pre-defined set of loans within a larger pool. A Non-profit bidder will be awarded these loans on a priority basis if their bid meets reserve pricing. Specific Loans, targeted geographies; Determined by Non-profit interest. Set-aside pools were introduced in HVLS 2019-1.
- *Carve-out:* Allows qualified Non-profit organizations to self-select a limited number of loans from a larger regional pool. First introduced as a pilot offering in SFLS 2016-2, due to its success, OAS introduced it to HVLS sales beginning with HVLS 2019-1.

Session 1

Non-profit Participation (HVLS)



Session 1

New Initiatives

- When OAS introduced carve-out pools in HVLS 2019-1, as a standard pooling strategy, the goal was to have 10% of notes in the auction go to Non-profit bidders. With HVLS 2020-1 the percentage of loans awarded to Non-profits was 26%.
- The use of Carve-out pooling will be a focus of future HVLS sales to help HUD achieve desired overall outcome of increased Non-profit sale participation.
- With the November 2021 sale, HUD will allow Non-profits and Governmental Entities to carve-out up to 50% of the loans in the larger regional pools.

Session 1

HVLS 2022-1 Sale

Upcoming November 10, 2021 Sale

- Approximately 1,700 notes
- 5 Regional pools, 1 Puerto Rico pool, and 1 Single-Loan Tenant-Occupied pool (Dekalb, IL property)
- Each of the 5 Regional Pools has been designated for Non-profit carve-outs

Detail on Process

- Each Non-profit bidder can create a unique pool of loans out of a large regional pool.
- Each Non-profit can bid up to 50% of the number of loans in a regional pool. OAS may conduct a "Best and Final Offering (BAFO)." In the past, HUD has elected not to BAFO carve-out bids.
- All bidders (nonprofit and for profits) may bid on the Dekalb, IL pool and Puerto Rico pool but preference for award will be given to nonprofit bidders.

Session 1

HVLS 2022-1 Eligible Mission Outcomes

Desired Outcomes

- This sale provides greater opportunities for Non-profits and government entities to purchase mortgage notes that can be handled in a manner that provides affordable homeownership and supports neighborhood revitalization.
- The disposition of these notes through the sale seeks to achieve affordable housing outcomes for renters and owner occupants of the purchaser's real estate owned properties.
- Carve-out and Priority Pool purchasers will have a Mission Outcome Goal of 50% of the loans purchased.

Session 1

HVLS 2022-1 Sale

Post-Sale Reporting Requirements

Post-sale reporting provides transparency for taxpayers and other stakeholders and assists HUD in designing program refinements.

Post-sale reporting requirements are included in the Conveyance Assignment and Assumption Agreement (CAA) between HUD and the Purchasers.

Purchasers provide quarterly reporting on a loan-by-loan basis and self-certifications regarding compliance with post-sale requirements through HUD's web portal.

The loan-by-loan data includes information on the asset after sale, including:

- Status: e.g. Foreclosed REO, Deed-in-Lieu, REO, Short Sale
- Property Outcome: e.g. Sold to Owner Occupant that is a first-time home buyer; sold to an investor
- Property Improvements: Dollar amount of money used for capital improvements
- Mission Outcomes: Achievement of Mission Outcomes
- Data supporting affordability of the purchaser's real estate owned property, whether sold or rented

Questions & Answers

Break

Session 2 Begins at 12:45

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Session 2

Bidder Qualification

Session 2

Bidder Qualification

- John Lucey, Moderator
- Marlene Robinson
- Juliette Loccisano, Senior Consultant, Guidehouse, LLP

Discussion Topics:

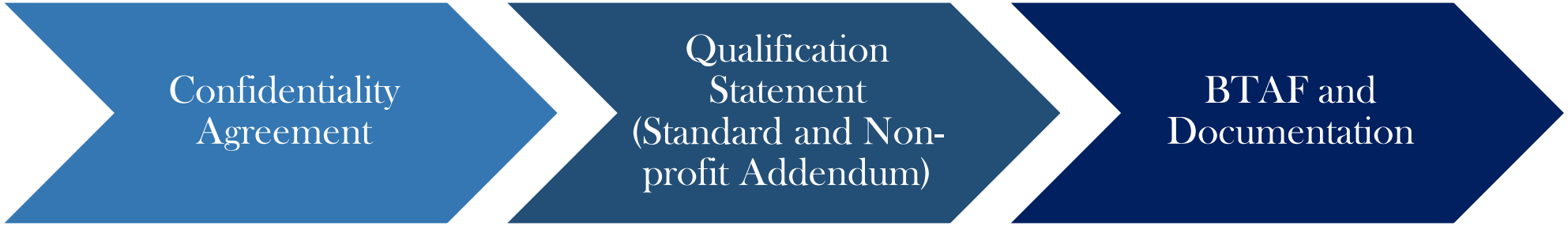
- Bidder Qualification Process and Requirements
- Teaming and Organizational Structure

Session 2

Bidder Qualification

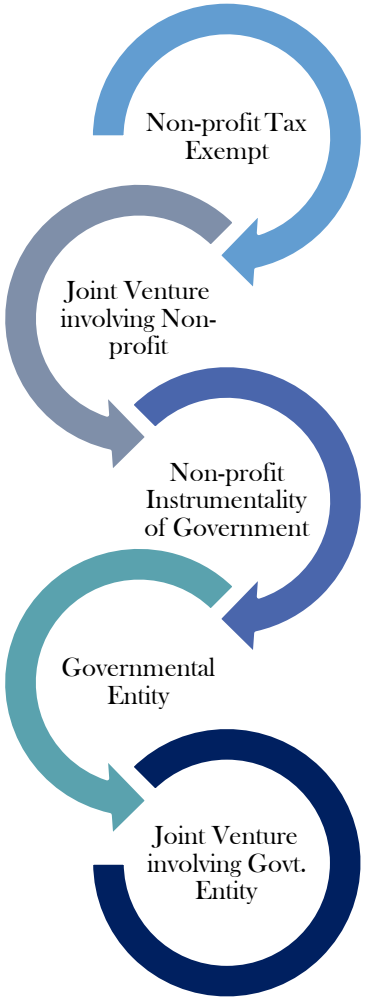
An Eligible Bidder is a person or entity that has:

- Submitted a completed and executed:
  1. HUD Confidentiality Agreement
  2. HUD Qualification Statement and if relevant, a nonprofit/Government Entity addendum certifying that they meet HUD's bidder qualification requirements (HUD Form 9612)
  3. HUD Bid Terms Acknowledgement Form (BTAF) and any other required documentation
  4. Forms and information will be provided in the bidder information package



Non-profit and Government Qualification Addendum Certification

- Bidder is a Non-profit organization that is described in Section 501(c)(3) and is tax-exempt organization under Section 501(a)of the Internal Revenue Code of 1954 (26 U.S.C.A. § 501-(a)).
- Bidder is a joint venture involving a 501(c)(3) organization (a "Non-profit Joint Venture"), and the 501(c)(3) organization's control over the Bidder is sufficient for a determination that Bidder operates in a manner consistent with the organization's charitable purpose.
- Bidder is a tax-exempt Non-profit Instrumentality of Government. This is a 501(c)(3) organization that was established by a governmental body or with governmental approval under special law to serve a particular public purpose or is designated an instrumentality by law.
- Bidder is a Governmental Entity or an instrumentality of Government. Governmental entity refers to any federal, state, or local government agency or instrumentality. An Instrumentality of Government refers to an entity that was established by a governmental body or with governmental approval or under special law to service a particular public purpose or designated by law and does not have a 501(c)(3) tax-exempt status.
- Bidder is a joint venture involving a Governmental Entity that has been established in order to carry out the Governmental Entity's purpose (a "Governmental Joint Venture").



For-profit Bidder Qualification

- **Net Worth:** Bidder has a net worth in excess of $5 million

Non-profit Bidder Qualification

- **Net Worth:** Bidder has a net worth of $3 million
- **Net Worth Alternatives**
  - **Irrevocable Letter of Credit:** from a financial institution the long-term senior unsecured debt of which shall have a credit rating of not less than "A" from Standard & Poor's Corporation and not less than "A2" from Moody's Investors Service, Inc.
  - **Performance Bond:** The Performance Bond shall be supported by corporate sureties whose names appear on the list contained in Treasury Department Circular 570, individual sureties, or by other acceptable security such as postal money order, certified check, cashier's check, irrevocable letter of credit, or, in accordance with Treasury Department regulations, certain bonds or notes of the United States.

Determination of Tax-Exempt Status

- A Non-profit must submit an Internal Revenue Service (IRS) Determination Letter providing an effective date of exemption that is at least two years prior to the execution date of this Certification, or the reason such a letter is not applicable (e.g., Governmental Entity or its Instrumentality of Government is not a Section 501(c)(3) organization).

Questions & Answers

Session 3

Success Stories and Interactive Discussion

Session 3

Success Stories and Interactive Discussion

Moderator

- Marlene Robinson, Senior Program Advisor, OAS

Panelists

- Sharon Pratt, Founder and CEO, Home Preservation Exchange
- Marcos Morales, Executive Director, Hogar Hispano, Inc.
- Louis Amaya, NS Capital Management
- Scott Fergus, CEO, National Community Capital, LLC
- Allen D. Price, Senior VP Business Development, BSI Financial Services

Discussion Topics:

- FHA loan sale buyer success stories
- Lessons learned from other sale participants
- Developing partnerships, Teaming and Attracting Capital; working with capital partners
- Success with Outcomes; challenges presented

CLOSING REMARKS

John Lucey

Director, Office of Asset Sales

Upcoming Sales and Opportunities for Participation

HVLS 2022-1

- Office of Asset Sales (OAS) Sale Announcements:

https://www.hud.gov/program_offices/housing/comp/asset/hsgloan

- Single Family Loan Sale Transaction Specialist Website:

http://www.falconassetsales.com/

- Multifamily and Healthcare Loan Sale (MHLS) Transaction Specialist Website:

https://debtx.com/news/u-s-department-of-housing-and-urban-development-multifamily-and-healthcare-loan-sale-2022-1

Glossary of Terms

TERM	DEFINITION	DESCRIPTION
FHA	Federal Housing Administration	
OAS	Office of Asset Sales	Resides within FHA's Office of Finance and Budget
TS	Transaction Specialist	Falcon Capital Advisors and Guidehouse, LLC
ULG	Unit of Local Government	
HECM	Home Equity Conversion Mortgage	A "reverse" (negatively amortizing) mortgage insured by FHA
HVLS	HUD-held Vacant Loan Sale	A type of single family residential HECM loan sale
MMI FUND	Mutual Mortgage Insurance Fund	Fund that pays claims on FHA-insured mortgages
DASP	Distressed Asset Stabilization Program	Brand name for FHA single family loan sales from 2012 to 2016
NSO	Neighborhood Stabilization Outcome (Pool)	A pool type in FHA DASP loan sales with disposition and reporting requirements designed to enhance foreclosure avoidance opportunities utilized from 2012 to 2016
MCA	Maximum Claim Amount	The maximum amount that can be paid to a HECM borrower
BPO	Broker Price Opinion	A professional property (sale collateral) valuation provided by a real estate broker
BTAF	*Bid Terms Acknowledgement Form*	A document required to be executed by eligible bidders which defines terms & requirements for a specific sale
SFLS	Single Family Loan Sale	A type of single family "forward" (amortizing) loan sale
OMB	Office of Management and Budget	
HLS	Health Care Loan Sale	A type of loan sale for FHA health care assets

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