

THE HFA INSTITUTE 2025

Servicing Sand Traps



National Council of
State Housing Agencies



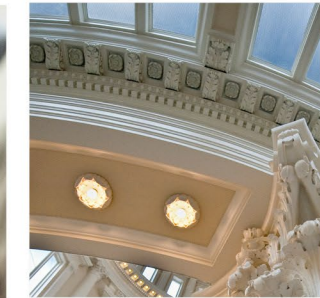
**MRBs and
Other Federal
Homeownership
Programs**
JANUARY 15 – 17



Housing Credit
JANUARY 14 – 16



**Section 8 and
Other Federally
Assisted
Multifamily
Housing**
JANUARY 15 – 17



**HOME and
Housing Trust
Fund**
JANUARY 12 – 14



DISCUSSION LEADER

Heather Johnson, Assistant Director of Mortgage Loan Servicing | Tennessee Housing Development Agency

SPEAKERS

Sidra Goldwater, Advisor, Disaster Recovery and Rebuilding | Fannie Mae

Carrie Jackson, Director Servicing Innovation and Engagement | Freddie Mac

Rachel Kelley, Director of Operations | DLS Servicing Consultants, LLC



Loss Mitigation Sand Traps

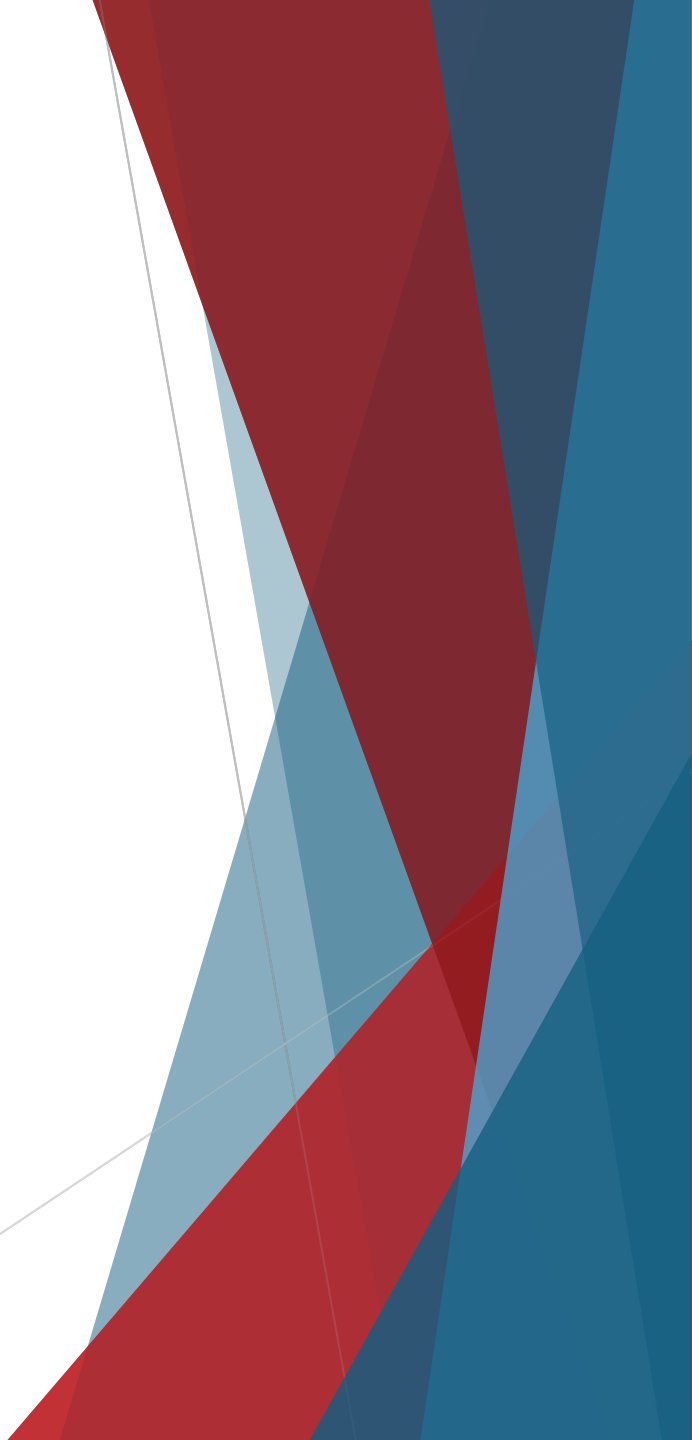
Rachel Kelley

Director of Operations

DLS Servicing & WaterfallCalc



FHA Current Waterfall (expires May 30, 2025)

- ▶ Special Forbearance Plan
 - ▶ Advanced Loan Modification (Pre-Waterfall Step)
 - ▶ Recovery Partial Claim
 - ▶ Recovery Modifications
 - ▶ Payment Supplement
 - ▶ Pre-Foreclosure Sale
 - ▶ Deed-in-Lieu
- 

FHA Proposed Waterfall (currently on drafting table)

- ▶ Repayment Plan
- ▶ Forbearance
- ▶ Loan Modification
- ▶ Partial Claim
- ▶ Combination Loan Modification & Partial Claim
- ▶ Payment Supplement
- ▶ Outside of the Waterfall Loan Modification
- ▶ Equity Saver Sale
- ▶ Pre-Foreclosure Sale
- ▶ Deed-in-Lieu

The Downfall of Streamline

The current unrestricted waterfall, that allows a borrower to simply attest to a hardship, has led to repeated requests for assistance.

Based on the entries into the WaterfallCalc system by various servicers, we found the following data:

- ▶ 2022: 5% of the loans reviewed had a prior Partial Claim
- ▶ 2023: 20% of the loans reviewed had a prior Partial Claim
- ▶ 2024: 34% of the loans reviewed had a prior Partial Claim

Lack of seasoning/redefault rules has led to erosion of borrower equity and caused subordinate liens to continue to mount.

Points of Confusion



QUALITY RIGHT PARTY
CONTACT (QRPC)



RE-DEFAULTS ON
PAYMENT SUPPLEMENTS



HOME DISPOSITION
OPTIONS



Importance of Loss Mitigation Consultations

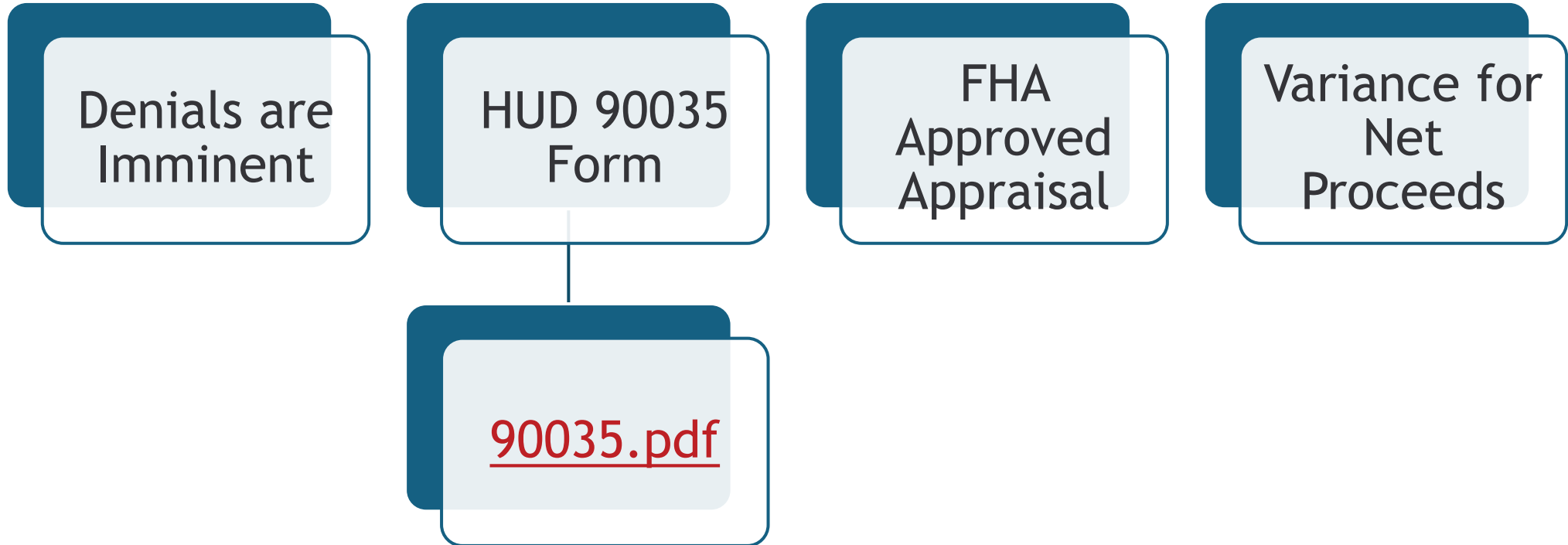
- ▶ No Borrower Documentation Required
- ▶ Creates a no-distraction environment
- ▶ Provides an in-depth conversation about hardship, budget and eligible options
- ▶ Valuable opportunity to educate the Borrower with real outcomes

Re-defaults on Payment Supplements

- ▶ Reinstatement with Partial Claims
 - ▶ Allowed up to 2 Standalone Partial Claims during the 36-month Supplement Period
 - ▶ These Partial Claims will need to take the Monthly Principal Reduction (MoPR) into account
- ▶ Payment Supplement is terminated if a Recovery Modification is needed to bring the loan current



Home Disposition



USDA Upcoming Policy (Effective 2/11/25)



- ▶ Repayment Plan
- ▶ Special Forbearance
- ▶ Loan Modification
- ▶ Mortgage Recovery Advance (MRAs)
- ▶ Pre-Foreclosure Sale
- ▶ Deed-in-Lieu

USDA Sand Traps

Early Intervention Meeting
(20th day after due date)

No recordation of MRAs

Multiple MRAs now
available

MRAs are no longer in the
name of USDA



WATERFALLCALC



DLS SERVICING

Rachel Kelley
Director of Operations
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Optimizing Servicing Through Innovative Technology

Carrie Jackson, Director of Servicing Innovation and
Engagement

January - 2025





Today's Servicing Challenges



The servicing ecosystem faces growing challenges that require innovative solutions

- Operational inefficiencies that drive up costs
- Addressing fragmented data to enhance decision-making and integration
- Increased borrower expectations for real-time communication and personalized solutions
- Adapting to evolving compliance and regulatory requirements

Our Strategic Tools for a Smarter Servicing Experience



1.

Resolve[®]

Integrated default management solution that uses automation and seamless integration to deliver rapid, rules-based workout decisions to Servicers based on their input

2.

PAID

*Payments Automated
Intelligent and Dynamic*

A reengineered experience that allows Servicers and their vendors to submit and view expense statuses clearly

3.

Total MI[®]

Cohesive suite of mortgage insurance (MI) tools that enhance the efficiency for mortgage insurers and Servicers around two key MI processes: reconciliations and claims

4.

**Investor
Reporting**

Includes three tools (Loan Level Reporting, Cash Manager, and Servicing Transfer Manager) to help Seller/Servicers keep their portfolio on track

Delivering Value Across the Servicing Ecosystem



Servicers

- Streamlined operations and reduced costs
- Faster claims resolution and disaster response



Borrowers

- Improved experience through accurate and timely servicing
- Enhanced recovery support during natural disasters



Industry

- Advance collaborative efforts across the servicing landscape
- Promote industry-wide compliance and standardization

How We're Shaping Tomorrow's Servicing Landscape

- Driving innovation and speed to market
- Enhancing the borrower experience to meet them where they are with personalized, real-time solutions
- Improving cost and operational efficiency through smarter technology and automation
- Strengthening partnership by delivering value across all stakeholders in the servicing ecosystem
- Moving ahead in the coming 1-2 years with Servicing Data Standardization in partnership with MISMO and industry leaders



Thank You





Fannie Mae Disaster Response

Sidra Goldwater
Advisor – Disaster Recovery & Resilience

Insurance Proceeds



Insurance Proceeds

Homeowners should expect:

- Funds not distributed will be held in an interest-bearing account
- The servicer must review the final repair plan and monitor the repairs
- Disbursements will be based on the loan's delinquency status



Insurance Proceeds

**If the homeowner was
current when the disaster
occurred**

Proceeds less than or equal to \$40,000 can be released in one payment

Proceeds greater than \$40,000 will generally be released in thirds and will require an inspection to release additional funds

Remote inspections are allowed



Insurance Proceeds

If the homeowner was delinquent when the disaster occurred:

Proceeds less than or equal to \$5,000 can be released in one payment

Proceeds greater than \$5,000 will be released in quarters not to exceed \$10,000 and will require an inspection to release additional funds

Homeowner will be reviewed for a workout



Forbearances



Forbearance

Why?

Forbearance helps homeowners make reduced or no payments for a designated period of time.



Forbearance

To get back on their feet without concern of foreclosure

To have the option of a forbearance with no payments

No late charges

No requirement to provide documentation verifying their financial hardship

What should homeowners expect?



Forbearance

The initial forbearance may be up to 6 months with an extension for up to an additional 6 months

What else should I know?

The homeowner may shorten the forbearance plan term at any time

The homeowner will receive a written notice with the forbearance plan terms



Forbearance

What are the next steps after a forbearance?

Homeowners should reach out to their servicer towards the end of their forbearance

Work with the servicer to determine a forbearance extension or a long-term/permanent solution

Inform the homeowner that the payments are not forgiven, and the loan must be brought current



After the Forbearance

Evaluation Hierarchy



HERE2HELP



Dealing with a disaster? You're not alone.

Home / Managing Financial Uncertainty / Recovering from a Disaster

Appendixes



Repayment Plans



Repayment Plans

The hardship needs to be resolved and the payment affordable.

Regular scheduled payments plus an additional amount for a specific period of time.



Disaster Payment Deferral



Disaster Payment Deferral (PD)

How does it work?

Defer up to 12 months of past-due principal & interest payments, escrow advances, and other allowable servicing advances paid to third parties

Deferred amounts are placed in a non-interest bearing balance due on maturity or payoff

Terms of the loan are not changed

A written agreement is required



Disaster Payment Deferral (PD)

Eligibility Criteria

The loan:

- Current or less than 2 months delinquent as of disaster event
- One month or more delinquent but less than or equal to 12 months as of evaluation date
- Not have previously received a disaster PD for the same disaster event



Flex Modification



Flex Modification

This workout may be the best chance at a lowered payment

Capitalize the arrearages into the loan balance

May receive rate reduction

Extend the term up until the earlier of

- achieving a 20% P&I payment reduction target or
- reaching a term of 480 months

May receive principal forbearance

Note: If the loan is less than 3 months delinquent after forbearance the homeowner must complete a Borrower Response Package (BRP). However, if it is 3 months or more delinquent, a BRP nor contact are required.



Step	Action	
4	<p>Extend amortization term in monthly increments</p>	<p>until the earlier of</p> <ul style="list-style-type: none"> i. achieving the 20% P&I payment reduction target, or ii. reaching 480 months.
5	<p>If the post-mod MTMLTV >50%, forbear principal</p>	<p>until the earlier of</p> <ul style="list-style-type: none"> I. achieving the 20% P&I payment reduction target, II. an amount that would create a post-mod MTMLTV of 50% using the interest-bearing principal balance, or III. 30% of gross post-mod UPB.



Step	Action	
1	Arrearages are Capitalized	
2	Interest rate is set to a fixed rate	
	<ul style="list-style-type: none"> ▪ Fixed-rate mortgage loan (including an ARM or step-rate that has reached its final interest rate) 	Interest rate set to contractual interest rate.
	<ul style="list-style-type: none"> ▪ ARM or step-rate that has not yet reached its final interest rate 	Interest rate set to the greater of the Fannie Mae Modification interest rate or the contractual interest rate.
3	If the post-mod MTMLTV $\geq 50\%$ and the interest rate determined in Step 2 is greater than the Fannie Mae Modification interest rate	step the interest rate down in .125% increments until the earlier of <ul style="list-style-type: none"> i. achieving the 20% P&I payment reduction target, or ii. reaching the Fannie Mae Modification interest rate.



Short Sale



Short Sale

This workout avoids foreclosure when the homeowner no longer can afford their home

Servicer allows the sale of the home for less than the balance remaining on the loan

Borrower may be required to make a financial contribution

Receive a deficiency waiver which relieves the homeowner of the responsibility to pay any remaining balance of the loan



Mortgage Release TM (Deed-in-Lieu of Foreclosure)



Mortgage Release™ (Deed-in-Lieu of Foreclosure)

This workout avoids foreclosure and offers a different exit option

- **Immediate move**
- **Three-month transition lease with no rent payment required**
- **Twelve-month lease at market rent payment**

Transfers ownership of the property to the lender in exchange for a release from the loan and payments

Homeowners may be required to make a financial contribution

Receive a deficiency waiver which relieves the homeowner of the responsibility to pay any remaining **balance of the loan**





THDA First Time Home Buyers: REO Rehabilitation Program

Presented by: Heather Johnson

January 2025

»»»» THDA SERVICING PORTFOLIO



- Service in-house: Volunteer Mortgage Loan Servicing
- 27,327 Sr Lien Mortgages; \$3.58b
- Median UPB \$128,769
- 80% FHA; 10.16% Conv; 6.35% USDA
- 0.2% In Foreclosure; Average 5.6 foreclosure sales per month
- 62.61% Sell 3rd Party; 37.39% to THDA with Median Sale Price \$127,511
- 25 Properties in REO

Provide safe, updated and affordable housing to first time homeowners through repairing the THDA REO Portfolio.

- Sell REO properties instead of convey or auction
- Fully repair and update properties
 - Foundation to Roof
 - HVAC
 - Mold remediation
 - Flooring
 - Kitchen/Bathrooms
 - Exterior & Decks
- List properties for sale with local Realtors
- Exclusive Listing Period for First Time Homebuyers & Owner Occupant

»»»» STATE OF TENNESSEE STATS

- Launched in January 2022
- First property closed July 2022
- Over 40 homes repaired
- 14 homes closed in 2024 to first time homeowners
- Average sales price less than \$200,000
- Program generated profit \$94,574 as of 3rd quarter 2024



ROCKWOOD BEFORE



ROCKWOOD BEFORE



ROCKWOOD BEFORE



ROCKWOOD AFTER



ROCKWOOD AFTER



ROCKWOOD AFTER



ROCKWOOD AFTER



ROCKWOOD AFTER



Rockwood, TN

- Foreclosure Total Debt: \$43,244
- Foreclosure Appraisal Value: \$65,000
- Repairs: \$104,538
- Repaired BPO: \$235,000
- Listed: \$215,000
- Sales Price: \$215,000
- Profit: \$42,197

ELIZABETHTON BEFORE



ELIZABETHTON BEFORE



ELIZABETHTON AFTER



ELIZABETHTON AFTER



ELIZABETHTON AFTER



Elizabethton, TN

- Foreclosure Total Debt: \$59,499
- Foreclosure Appraisal Value: \$120,000 (exterior)
- Repairs: \$62,167
- Listed: \$175,000
- Sales Price: \$177,000
- Profit: \$23,770

HUD REO HOME FOR SALE: BLUFF CITY, TN


Tennessee Housing
Development Agency

Previous Property

Next Property

\$185,000 

