Report to the Commissioner on Post Sale Reporting
FHA Single Family Loan Sale Program

OCTOBER 2016 REPORT

U.S. Department of Housing and Urban Development

Federal Housing Administration

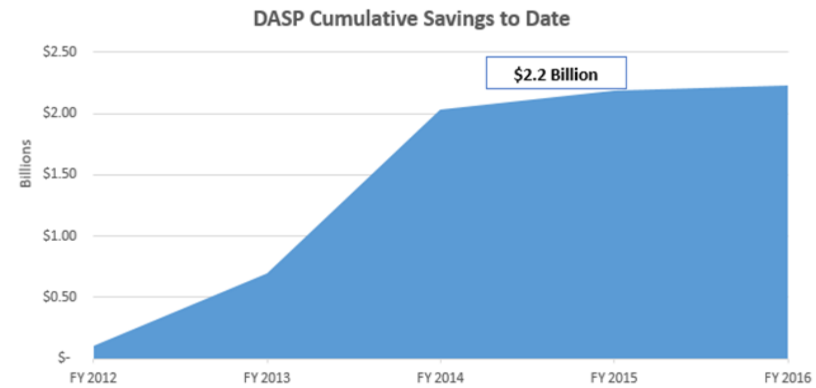
INTRODUCTION

HUD's Single Family Loan Sale (SFLS) Program auctions severely delinquent single family mortgages insured by FHA. The Distressed Asset Stabilization Program (DASP) is one of a suite of disposition programs that aids in the Secretary's fiduciary responsibility to ensure the Mutual Mortgage Insurance (MMI) fund remains financially sound. The dual goals are:

- Provide an opportunity to preserve homeownership or, where that is not possible, avoid vacancy or abandonment of properties in communities that tend to depress home values; and,
- Help maximize recoveries to the MMI Fund by reducing costs and the time assets are held in FHA's portfolio.

Approximately 104,258 mortgage loans have been sold through SFLS-DASP since the program's inception in 2010. The Neighborhood Stabilization Outcome (NSO) component was introduced in SFLS 2012-3, and at the same time the program was renamed DASP. The DASP is an ongoing FHA program.

SAVINGS FOR THE MMI FUND



It is estimated that from FY 2012 – FY 2016 the DASP sales included in this Report saved the MMI fund approximately $2.2 billion above the alternative REO program. When including all of the single family loan sales the savings are estimated at $2.4 billion.

POSITIVE BORROWER OUTCOMES

Only loans headed to foreclosure after all FHA prescribed loss mitigation efforts have failed are eligible for DASP. The DASP provides an alternative to foreclosure by offering homeowners another chance to keep their home, or at least avoid foreclosure.

For loans where post-sale reporting has been received, 32.8% of the loans are in delinquent servicing and 67.2% (56,641 loans) have been resolved, meaning a final resolution has been reached.

The loans are on average 28 months delinquent at the time of sale. Despite the severe delinquency for the 59,641 resolved loans, foreclosure has been avoided for over 41.5% of the Borrowers, including:

- ***Approximately 7,833 Borrowers remain in their* homes** due to their loans becoming re-performing, primarily as a result of modifications.
- ***Another 15,369 Borrowers were successfully offered graceful exit alternatives*** like Short Sales and Deed-in-Lieu of Foreclosure transactions which allowed them to avoid the costly and often traumatic effects of foreclosure.

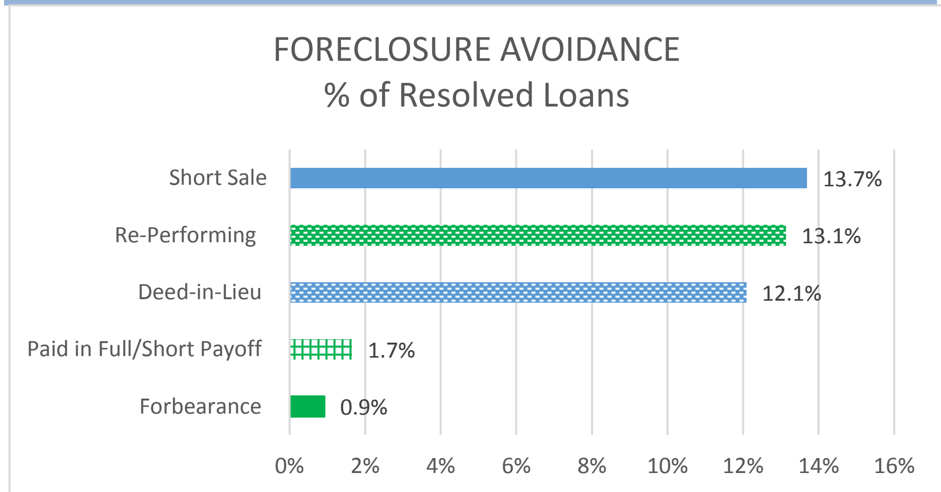
NON-PROFIT PARTICIPATION

Opportunities for non-profits include purchasing loans directly in DASP auctions, and purchasing selected assets from the original Purchasers. Loan pools where only non-profit groups and Units of Local Governments are eligible to participate have been included in the last three DASP auctions.

HUD has made enhancements and conducted outreach to encourage a greater number of non-profits to participate in the DASP, including:

- Successfully introducing a non-profit pilot in the SFLS 2016-2 sale.
- Hosting a two-day training seminar in February 2015.
- Conducting a webinar to share non-profit success stories and provide further awareness of opportunities in October 2015.
- Hosting a non-profit seminar in August 2016 to:
  - ✓Educate potential bidders about the loan sale process; and
  - ✓Facilitate introductions between non-profits, Units of Local Government, Investment Firms, and other teaming members.

POSITIVE BORROWER OUTCOMES



Note: Data as of August 23, 2016.

NON- PROFIT PARTICIPATION

Specific enhancements for non-profits and units of local government in upcoming transactions include the following:

- Providing additional pools where only non-profit groups and units of local governments are eligible to participate
- Targeting loans based on non-profit and local government interest
- Streamlining the direct sale process for local government
- Ongoing training and outreach to non-profits and local governments

HUD's goal is to sell 10% of the defaulted single family assets offered in loan sales to non-profits and local governments.

OTHER UPCOMING DASP ENHANCEMENTS

Evaluations and improvements have been ongoing since the inception of the sale program. In addition to expanding opportunities for non-profits and local governments, other upcoming DASP enhancement include:

1. Making principal forgiveness the first option investors must consider offering to Borrowers when evaluating them for a modification.

2. Providing payment shock protection to limit interest rate increases to no more than 1% per year after a five-year period where the rate is fixed.

3. Prohibiting 'walk-aways' to prevent Purchasers from walking away from vacant properties, helping to protect communities from blight.

4. Notifying delinquent Borrowers that their loan can be sold by revising the current 120-day delinquency notice.

5. Releasing performance and outcome data for each pool. Previously performance data was only provided at the sale level.

6. Providing demographic data for sales for the first time ever.

NEIGHBORHOOD STABILIZATION POOLS

Under DASP, loans are segregated into two types of pools: the **National/Regional** pools and the **NSO** pools.

NSO pools are secured by properties in a limited geographic area and have specific servicing requirements designed to encourage outcomes that help stabilize neighborhoods.

Purchasers of NSO pools are required to achieve neighborhood stabilizing outcomes on no less than 50% of the loans in each NSO pool they purchase. Acceptable outcomes include:

- Re-performance
- Rental to a Borrower
- Sale to owner occupant
- Gift to a land bank
- Loan payoff
- Sale or gift to a non-profit organization

The NSO component of the SFLS Program strengthens its strategic focus on community stabilization.

HOW SFLS-DASP SALES WORK

FHA can accept assignment and sell distressed mortgages prior to a foreclosure sale, thereby avoiding the costly and potentially lengthy foreclosure process. This generates savings by avoiding claim, holding, and sales expenses that would be incurred through the REO program.

FHA servicers are required to evaluate all of the loss mitigation options that would lead to home retention prior to including the loan in a note sale, including the FHA-Home Affordable Modification Program (HAMP), special forbearance and mortgage modification.

If the Borrower is unable to support the mortgage debt, FHA servicers must consider use of other loss mitigation tools, including a pre-foreclosure sale or a deed in lieu of foreclosure.

Selling the loans removes the requirements associated with FHA insurance and provides the Purchaser a wider range of loss mitigation options, and may offer Borrowers another chance at remaining in their homes.

BASIC DASP SERVICING REQUIREMENTS

HUD is committed to evolving the DASP to improve its effectiveness. A number of program enhancements have been incorporated into all sales to promote positive Borrower outcomes:

- For properties that are owner-occupied the requirement that Purchasers do not foreclose on Borrowers absent extenuating circumstance for at least 6 months was extended to 12 months.
- Purchasers are required to evaluate the Borrower for the Home Affordable Modification Program (HAMP), or for a proprietary modification with substantially similar terms. Purchasers must offer a HAMP or substantially similar modification to eligible Borrowers.

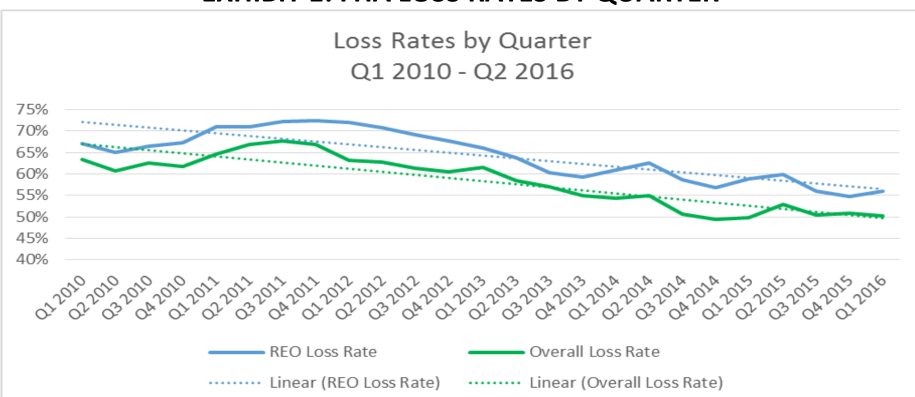
Loans must be serviced by a servicer that is:

i. Either an FHA-approved mortgagee or a Fannie Mae or Freddie Mac approved servicer; and

ii. In good standing and rated average or above by the agencies.

DECLINING LOSSES IN THE MMI FUND

EXHIBIT 1: FHA LOSS RATES BY QUARTER



FHA Single-Family MMI Insurance Fund Programs, Report to Congress FY 2016 Q2

Before launching alternative disposition options including the SFLS Program, FHA disposed of nearly all of its assets through its standard claim payment/REO process. Since Q4 of 2012, as FHA diversified its asset disposition strategy with alternative methods, FHA has seen its overall loss rates decrease steadily. Exhibit 1 illustrates the loss rates for the REO program over time and the overall loss rates, which incorporate loan sales and other FHA disposition strategies for defaulted single family mortgages.

As the Exhibit displays, FHA's overall loss rates have declined from 63.5% in the first quarter of 2010 to 50.8% in the second quarter of 2016.

Note that the differences in loss rates between the REO program and alternative dispositions vary geographically.

COMPLIANCE MONITORING

Enhanced compliance monitoring has been instituted to review:

- Lender compliance with HUD's eligibility requirements that loss mitigation be completed before inclusion in DASP; and
- Purchaser compliance with post-sale servicing, reporting and NSO requirements.

POST-SALE REPORTING

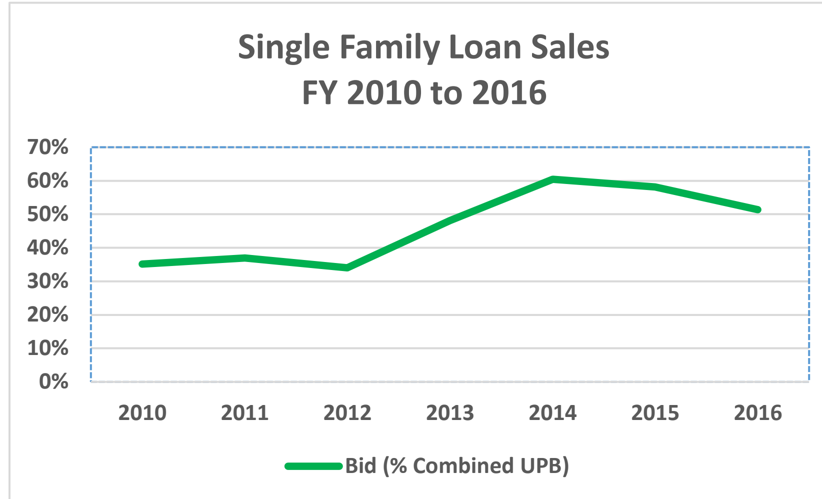
Quarterly post-sale reporting to HUD on Borrower outcomes and modification activity is required for four years after sale by Purchasers.

HUD has continued its efforts to obtain better post-sale reporting data from Purchasers in order to provide clear, reliable and transparent reporting on Borrower outcomes.

Purchaser training is ongoing and the post-sale reporting process has been streamlined through an online system that has helped minimize reporting issues and inconsistencies.

HISTORICAL BID PRICES

EXHIBIT 2: AVERAGE BID BY FISCAL YEAR



DASP bid prices have improved since the program's inception in 2010.

EXHIBIT 3: SFLS PROGRAM AND NATIONAL DASP

Sale Name	Sale Date	Loan Count	Approximate UPB	Number of Pools
SINGLE FAMILY LOAN SALE PROGRAM - NATIONAL				
SFLS 2010	9/22/2010	410	$98,318,392	3
SFLS 2011-1	3/9/2011	804	$140,172,873	1
SFLS 2011-2	6/22/2011	517	$87,476,679	1
SFLS 2011-3	9/14/2011	60	$8,184,903	1
SFLS 2012-1	12/7/2011	69	$11,983,689	2
SFLS 2012-2	4/25/2012	195	$41,413,532	3
Total SFLS Program		**2,055**	**$387,550,068**	**11**
DISTRESSED ASSET STABILIZATION PROGRAM- NATIONAL				
SFLS 2012-3	9/12/2012	3,258	$599,476,392	6
SFLS 2013-1	3/20/2013	10,070	$1,795,827,778	10
SFLS 2013-2	6/26/2013	13,149	$2,029,089,760	14
SFLS 2014-1 (Part 1 & 2)	10/30/2013 & 12/17/2013	17,271	$3,042,383,247	23
SFLS 2014-2 (Part 1 & 2)	6/11/2014 & 9/30/2014	27,528	$4,536,940,674	26
SFLS 2015-1	7/16/2015	4,307	$665,595,251	5
SFLS 2016-1	11/18/2015	3,158	$427,825,101	5
DASP National Total		**78,741**	**$13,097,138,203**	**89**
Total DASP National and SFLS		**80,796**	**$13,484,688,271**	**100**

Notes: The data for the more recent transactions continues to be subject to change as the final Post-Sale Reporting and Settlement data becomes available. Some repurchases may also occur under the representations and warranties for more recent sales. Data as of August 23, 2016.

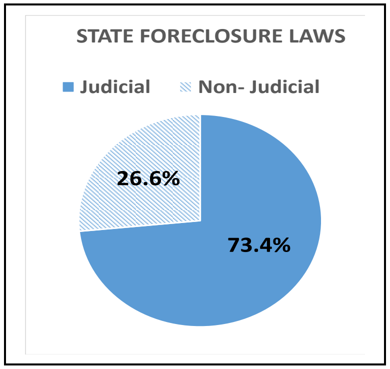
EXHIBIT 4: DASP NSO PROGRAMS OFFERINGS

Sale Name	Sale Description	Sale Date	Loan Count	Approximate UPB	Number of Pools
DASP NEIGHBORHOOD STABILIZATION OUTCOME PROGRAM					
SFLS 2012-3	NSO - Chicago, Newark, Phoenix, Tampa	9/27/2012	2,860	$554,477,501	7
SFLS 2013-1	NSO - Atlanta, Ohio, Orlando, Florida, California	03/27/2013	3,284	$522,807,467	5
SFLS 2013-2	NSO - California, Ohio, North Carolina, Chicago	07/10/2013	3,159	$492,532,975	6
SFLS 2014-1	NSO - Atlanta, California, Las Vegas, Indianapolis, Baltimore, Prince George County, Other	12/19/2013	3,188	$657,384,035	7
SFLS 2014-2, Part 1	NSO - Atlanta, Chicago, Cumberland County, Detroit, Miami, Philadelphia, San Antonio, San Bernardino	6/25/2014	3,319	$543,176,203	10
SFLS 2014-2 Part 2	NSO- Baltimore, New York, Texas, Florida, California, Philadelphia	11/19/2014	3,522	$662,973,440	15
SFLS 2015-1	NSO- NJ Northern, NY Nassau Suffolk, Chicago, Baltimore, PA,DE,MD	7/16/2015	1,498	$342,938,149	7
SFLS 2016-1	NSO - FL, NY, NJ, IL, IN, OH, PA, AL, GA, NC, TN, AZ, CO, ID, NM, NV, UT, CA, OR, WA, CT, ME, NH, RI, IA, KY, MO, LA, OK, TX, MI, MN, WI	11/18/2015	2,632	$473,031,567	18
DASP NSO Total	**NSO**		**23,462**	**$4,249,321,336**	**75**
TOTAL	**National and NSO (all Sales)**		**104,258**	**$17,734,009,607**	**175**

Notes: The data for the more recent transactions continues to be subject to change as the final Post-Sale Reporting and Settlement data becomes available. Some repurchases may also occur under the representations and warranties for more recent sales. Data as of August 23, 2016.

EXHIBIT 5: PORTFOLIO METRICS

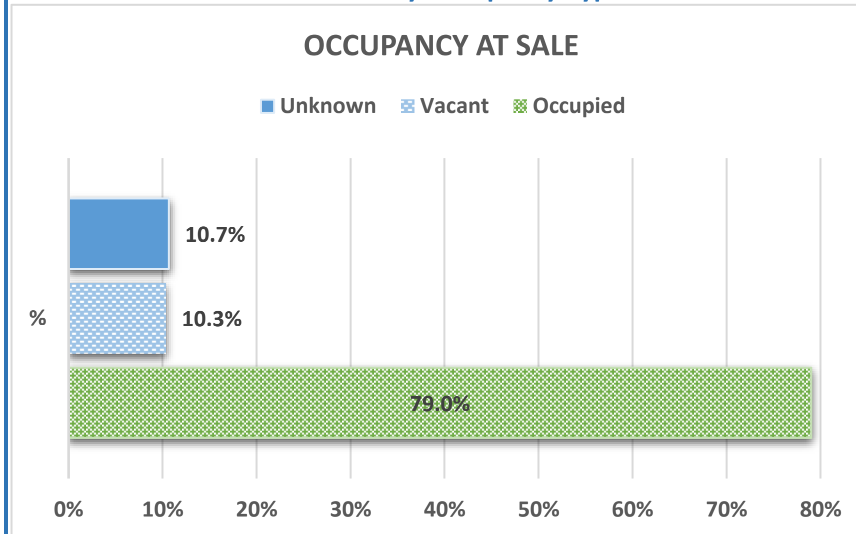
Portfolio by Foreclosure Law Type



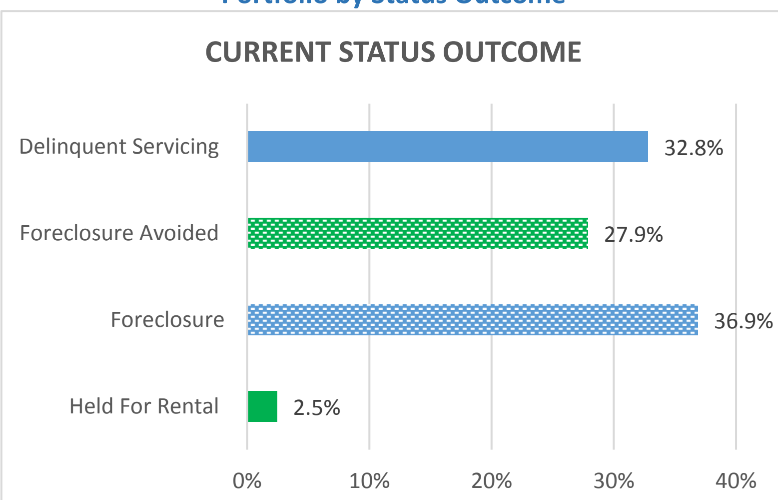
Based on data from HUD's Conveyance (REO) Program, in judicial foreclosure states the average time to foreclosure was approximately 10 months longer than in non-judicial foreclosure states. Thus, holding period times and holding costs are greater in the states where a majority of the loans sold in the program are located.

For example, on the top four states comprising approximately 42% of the sale portfolio, average times to foreclosure were: Florida- 55 months, New Jersey- 56 months, Illinois- 42 months, and New York- 56 months.

Portfolio by Occupancy Type

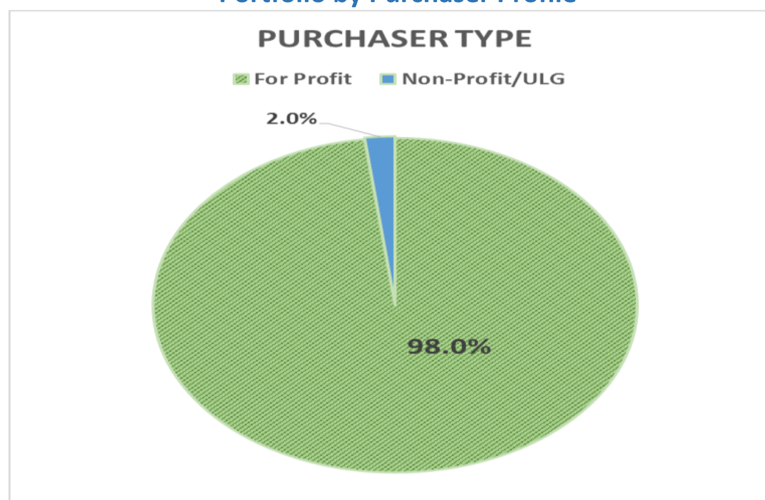


Portfolio by Status Outcome



Note: Data as of August 23, 2016.

Portfolio by Purchaser Profile

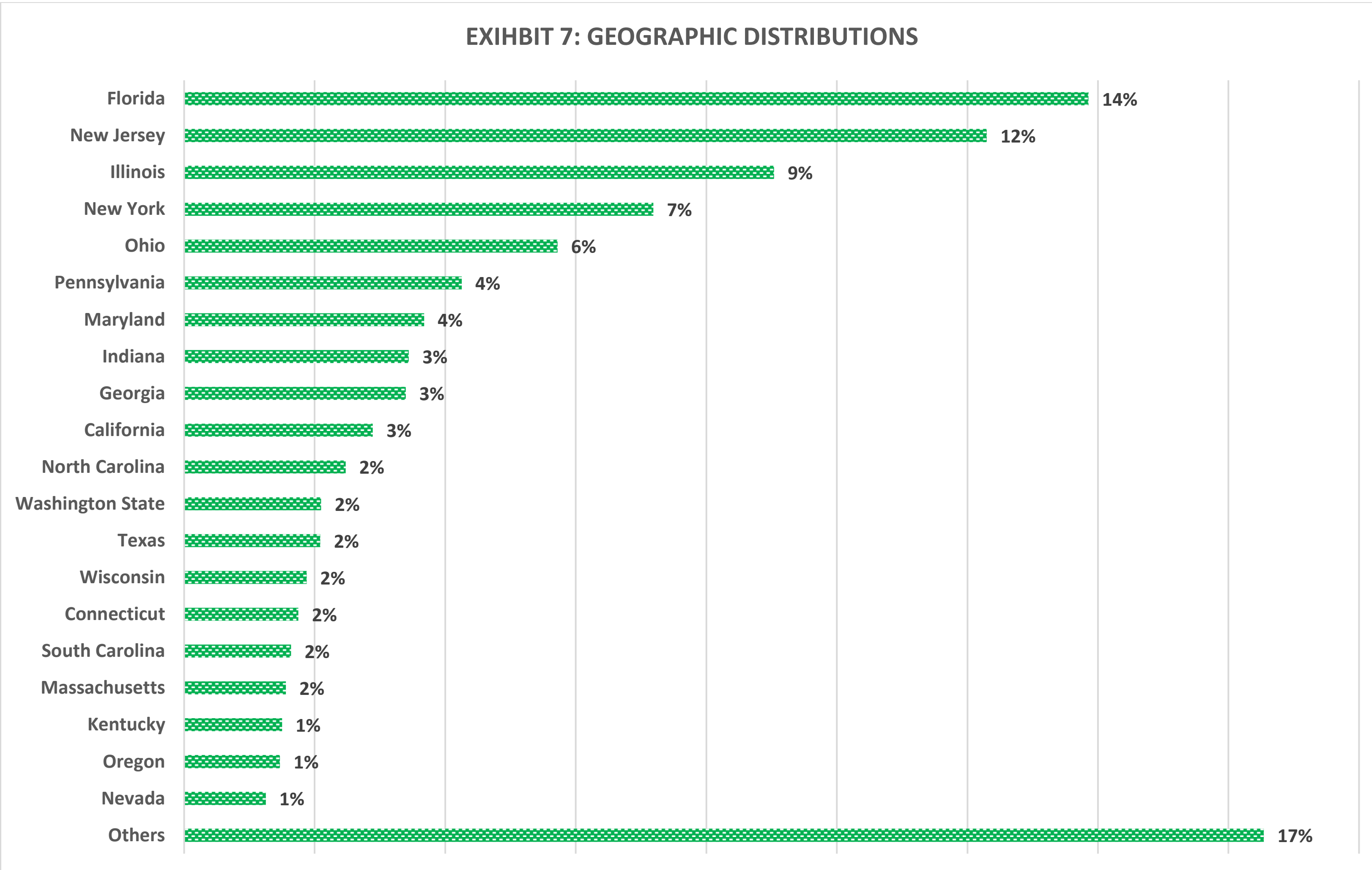


Note: Population includes Competitive (104,258) and Direct Sales (761), unlike other charts and tables within this report. Data as of August 23, 2016.

EXHIBIT 6: LOAN POPULATIONS BY HISPANIC OR LATINO ORIGIN AND RACE

Demographic Characteristics	Insurance in Force		Defaulted Loans		Sale Portfolio	
RACE	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
TOTAL POPULATION	**7,838,495**		**385,767**		**104,258**	
No Race Reported/ Unknown….……………………………	850,958		42,955		11,628	
RACE by HISPANIC OR LATINO ORIGIN	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
TOTAL POPULATION (with Race Reported)	**6,987,537**	**100.0**	**342,812**	**100.0**	**92,630**	**100.0**
HISPANIC OR LATINO						
Total……………………………………………………………	**1,088,352**	**15.6**	**40,903**	**11.9**	**12,122**	**13.1**
Race						
One Race……………………………………………………	**1,083,198**	**15.5**	**40,440**	**11.8**	**11,916**	**12.9**
White………………………………………………………	1,040,568	14.9	37,988	11.1	11,164	12.1
Black or African American……………………………	17,083	0.2	1,274	0.4	316	0.3
American Indian and Alaska Native…………………	14,289	0.2	660	0.2	156	0.2
Asian…………………………………………………………	3,451	0.05	106	0.03	46	0.05
Native Hawaiian and Other Pacific Islander…………	7,807	0.1	412	0.1	234	0.3
Two or More Races………………………………………	**5,154**	**0.1**	**463**	**0.1**	**206**	**0.2**
NOT HISPANIC OR LATINO						
Total……………………………………………………………	**5,899,185**	**84.4**	**301,909**	**88.1**	**80,508**	**86.9**
Race						
One Race……………………………………………………	**5,874,898**	**84.1**	**300,298**	**87.6**	**79,880**	**86.2**
White………………………………………………………	4,618,513	66.1	200,005	58.3	58,522	63.2
Black or African American……………………………	1,024,061	14.7	92,888	27.1	18,951	20.5
American Indian and Alaska Native…………………	27,907	0.4	1,549	0.5	416	0.4
Asian…………………………………………………………	165,306	2.4	3,998	1.2	1,198	1.3
Native Hawaiian and Other Pacific Islander…………	39,111	0.6	1,858	0.5	793	0.9
Two or More Races………………………………………	**24,287**	**0.3**	**1,611**	**0.5**	**628**	**0.7**

Notes: The Exhibit above compares the demographic data from the Single Family 203(b) Insurance in Force (IIF) loans and IIF loans that were 90+ days delinquent as of September 2016, and the Single Family Loan Sale Portfolio. Co-borrower data was not included.



Note: Data as of August 23, 2016.

EXHIBIT 8: LOAN SALE PURCHASERS

National Pools			
Purchaser	**Count**	**UPB**	**Percentage of Total**
Lone Star Funds	18,131	$3,126,319,974	22%
Bayview Asset Management	17,983	$3,122,440,600	22%
Angelo, Gordon & Co., L.P.	6,672	$1,069,119,677	8%
Selene Residential Partners	6,388	$1,025,041,890	8%
RBS Financial Products Inc.	5,126	$879,757,406	6%
Kondaur Capital Corporation	4,101	$612,443,809	5%
Neuberger Berman - PRMF	3,167	$603,911,167	4%
OHA Newbury Ventures, LLC/MCM	2,917	$486,191,955	4%
One William Street Capital Management	2,856	$460,789,379	4%
Varde Management, L.P / V Mortgage, LLC	2,448	$365,625,483	3%
Credit Suisse /DLJ Mortgage Capital	2,214	$314,153,812	3%
Altisource Residential Corporation	1,966	$307,418,583	2%
25 Capital Partners	1,895	$332,455,256	2%
PIMCO/ LVS	1,534	$231,191,172	2%
Pretium Mortgage Credit Management, LLC	1,259	$189,390,406	2%
Others	2,139	$358,437,702	3%
National Total	**80,796**	**$13,484,688,271**	**100%**
NSO Pools			
Purchaser	**Count**	**UPB**	**Percentage of Total**
Bayview Asset Management	10,009	$1,944,699,933	43%
Oaktree Capital Management/DC Residential	4,762	$806,158,977	20%
The Corona Group	3,203	$656,760,733	14%
25 Capital Partners	2,340	$400,087,056	10%
Pretium Mortgage Credit Management, LLC	1092	$150,253,336	5%
MRF (Non-profit)	970	$131,414,729	4%
Kondaur Capital Corporation	549	$66,933,715	2%
Community Loan Fund of New Jersey, Inc. (Non-profit)	303	$63,041,175	1%
Altisource Residential Corporation	135	$15,210,744	1%
Hogar Hispano, Inc. (Non-profit)	73	$12,043,958	0%
AMIP Management, LLC	26	$2,716,978	0%
NSO Total	**23,462**	**4,249,321,336**	**100%**
Overall Total	**104,258**	**17,734,009,607**	**100%**

Notes: The Exhibit above includes loans from SFLS 2010 through SFLS 2016-1. 2. The loan counts for the more recent transactions continue to be subject to change as the final Post-Sale Reporting and Settlement data becomes available, and any repurchases under the representations and warranties are finalized. Data as of August 23, 2016.

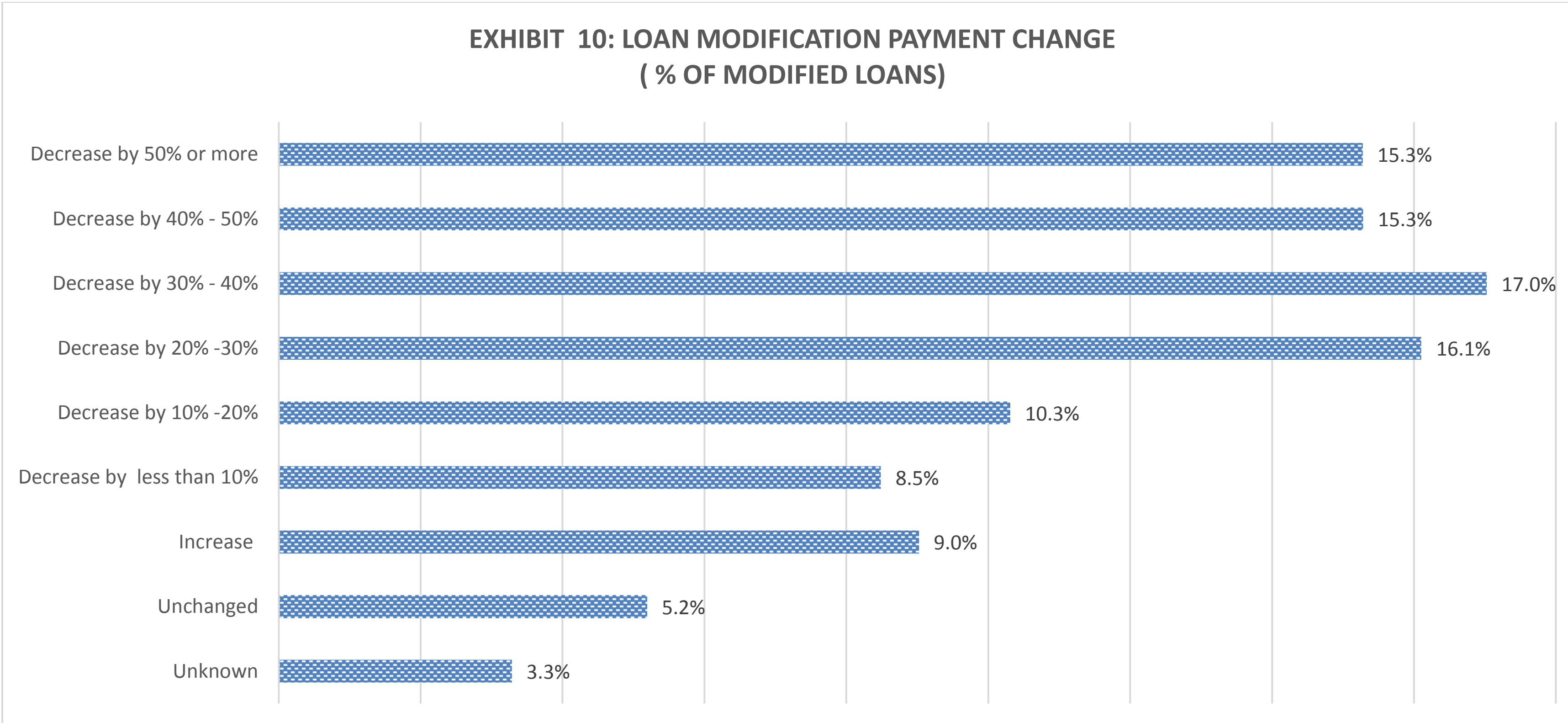
EXHIBIT 9: LOAN STATUS OUTCOMES - PORTFOLIO

Category	Count	Percentage of Loans Sold	Percentage of Resolved Loans
RESOLVED			
Foreclosure Avoided			
Total Re-Performing	**7,833**	**8.83%**	**13.13%**
Re-Performing with Loan Modification	7,097	8.00%	11.90%
Re-Performing - Other	736	0.83%	1.23%
Forbearance	551	0.62%	0.92%
Paid in Full/Short Payoff	985	1.11%	1.65%
Short Sale	8,162	9.20%	13.69%
Deed-in-Lieu	7,207	8.12%	12.08%
Total Foreclosure Avoided	**24,738**	**27.87%**	**41.48%**
Foreclosure	32,727	36.87%	54.87%
Held For Rental	2,176	2.45%	3.65%
Total Resolved Outcomes	**59,641**	**67.20%**	**100.00%**
NOT YET RESOLVED			
Delinquent Servicing	29,113	32.80%	
Total Loans Sold	**88,754**	**100.00%**	

1. Data includes loans for SFLS 2010 through 2016-1, and represents post-sale reports received through August 23, 2016.
2. Additionally 15,504 loans which were reported as being sold in whole loan sales, charged off or the status was unknown based on the post-sale reporting are excluded from this Exhibit since no outcome data is available at this time

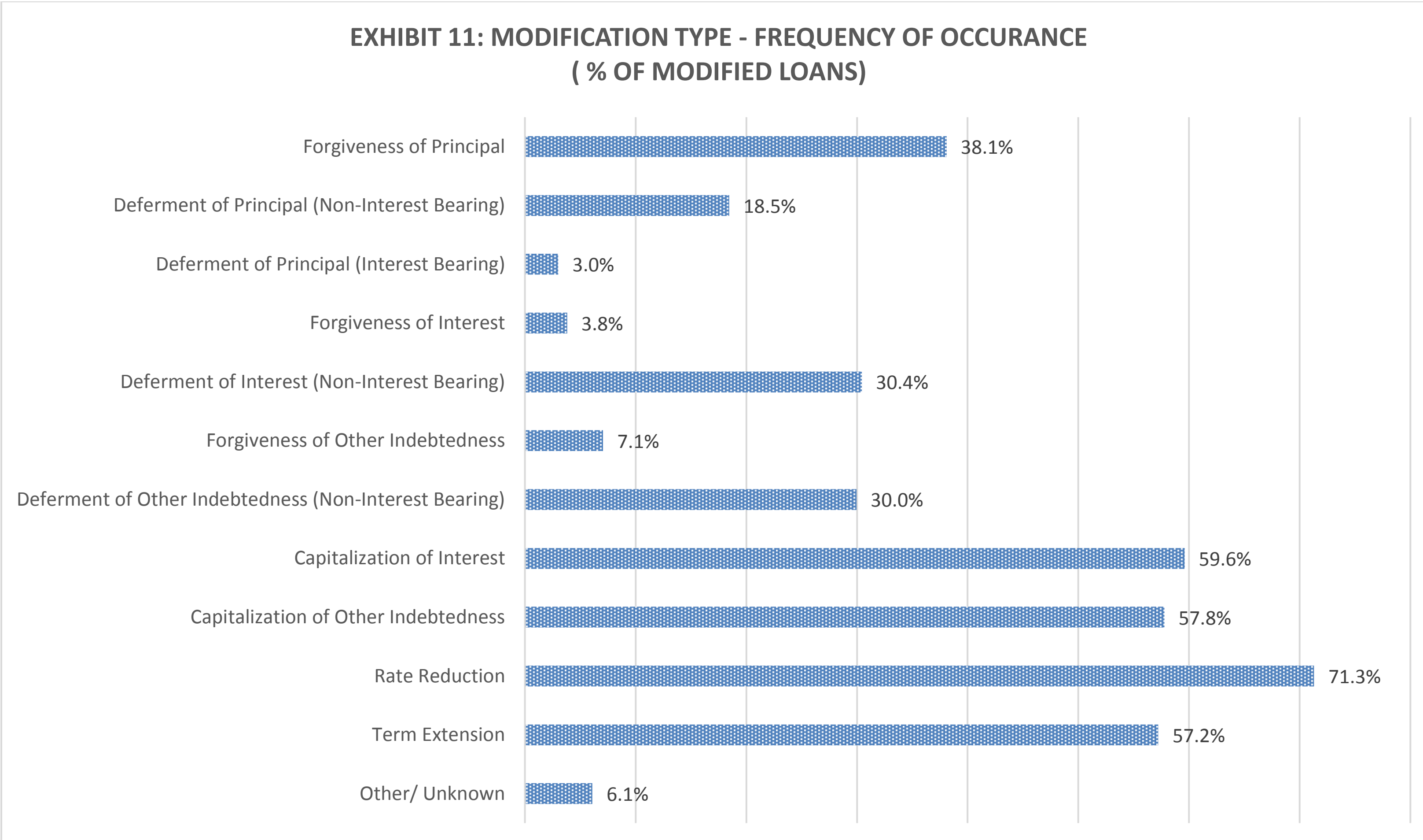
Loans Ever Reported in a Re-performing Status

Current Status	Count	% Total
Re-Performing	7,833	45%
Delinquent Servicing/Forbearance	5711	33%
Whole Loan Sale	2940	17%
Foreclosure Avoidance	335	2%
Held-For-Rental	17	0%
Other	2	0%
Foreclosure	436	3%
Grand Total	**17,274**	**100%**



Note: Includes permanent and trial modifications. Data as of August 23, 2016.

For SFLS 2010 through SFLS 2016-1 approximately 14% of the loans were modified by the Purchasers. Approximately 31% of the modified loans had a payment decrease of 40% or more. Over 64% of the modified loans had a payment decrease of 20% or more.



Note: Many of the loans in the "Other" category are Trial Modifications, although some Trial Modifications have modification types. Data as of August 23, 2016.

For SFLS 2010 through SFLS 2016-1 approximately 14% of the loans were modified by the Purchasers. Most loans had multiple modification features. By far the most common modification feature was a Rate Reduction, used for 71% of the loans modified. Capitalization of Interest, Capitalization of Other Indebtedness and Term Extensions were also common modification types, and they were each used for approximately 57% - 60% of the loans modified.

HUD LIBRARY APPENDICES

The HUD Library Appendices, dated as of August 23, 2016, have been prepared as separate series of data tables that accompany this Report, and it contains both sale level and pool level data on each of the HUD loan sales. It includes date on borrower outcomes, NSO status and geographic and demographic information on the loans included in each transaction. The HUD Library Appendices can be found at http://portal.hud.gov/hudportal/documents/huddoc?id=comreport.pdf.

EXHIBIT 11: GLOSSARY OF TERMS

Term	Definition
Charge-Off	The Purchaser has written off the mortgage as uncollectible or bad debt.
Deed-in-Lieu	A Borrower willingly conveys property to the new servicer in lieu of undergoing foreclosure proceedings.
Delinquent Servicing	Loans that remain delinquent that the purchaser continues to actively service.
Forbearance	A Borrower and new servicer enter into an agreement whereby all or a portion of the Borrower's debt service obligations are suspended temporarily. This agreement delays foreclosure and provides Borrowers with an opportunity to recover from a short-term financial issue.
Foreclosure	The servicer undergoes legal proceedings to take control of the property which serves as security for the FHA-insured mortgage. This includes instances where the property is sold at the foreclosure sale.
Held for Rental	The Purchaser has acquired REO via a deed-in-lieu or foreclosure, then offers the property for rent.
Paid in Full	A Borrower repays the entire remaining principal balance on a loan, often via a refinancing transaction.
Re-Performing	The Borrower has begun to make timely payments. The mortgage may or may not have been modified through a permanent or trial modification.
Re-Performing with Loan Modification	The Borrower has begun to make timely payments on a mortgage that has been modified through a permanent or trial modification since the Purchaser took ownership of the loan.
Re-Performing Other	The Borrower has begun to make timely payments on a mortgage, and the loan does not appear to have been modified by the Purchaser.
Repurchase	The Purchaser has put the loan back to FHA due to a breach of the representations and warranties included in the sale agreement.
Resolved Loans	All loans not reported as delinquent servicing, whole loan sale loans or charge offs, including re-performing loans which notably may be reported in delinquent servicing in future reporting cycles in the event of future missed payments.
Short Payoff	The Borrower repays a portion of the remaining principal balance, the remainder of which is written off by the Purchaser.
Short Sale	The Purchaser and/or Borrower arrange the sale of a property to a third party, allowing the borrower to leave the home and avoid foreclosure proceedings.
Whole Loan Sale	The Purchaser sells the mortgage to another entity, and the current underlying reporting status category is unknown.