



FACT SHEET: Distressed Asset Stabilization Program Enhancements

FHA launched the Distressed Asset Stabilization Program (DASP) in 2012. Since that time FHA sold approximately 100,000 severely delinquent loans through the program. The program has helped ten thousand people remain in their homes and even more avoid foreclosure.

FHA is committed to continuously improving the program. In June of 2015 a series of enhancements were implemented. These changes included preventing foreclosure for a year after the note was sold rather than 6 months. Under the policy, borrowers have a year to work with the purchaser to resolve the default. At that time, FHA also required servicers to evaluate borrowers for HAMP or a substantially similar modification and FHA implemented non-profit only sales.

Maintaining our focus on continuous improvement, today FHA is making another round of enhancements to the DASP program. The changes 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 one percent per year after a five-year period where the rate is fixed; this is consistent with HAMP
3. Prohibiting 'walk-aways' on vacant properties to prevent purchasers from walking away from vacant properties. The provision is designed to protect communities from blight.
4. Notifying delinquent borrowers that their loan can be sold. FHA will revise the current 120-day delinquency notice to advise borrowers that their loan may be sold.
5. Establishing a preferential bidding option pilot for non-profit buyers. This is an innovative approach where non-profit organizations can bid on up to five percent of loans in a pool and win as long as they meet the reserve price.
6. FHA is establishing a goal of selling 10 percent of assets to non-profits and local governments.
7. Releasing performance and outcome data for each pool. Performance and outcome data on sales will be provided at the pool level, previously provided performance data at sale level.
8. Releasing demographic data for sales for the first time ever.
9. Streamlining the direct sale process for local governments. FHA will provide materials that outline the steps and timeline for direct sales
10. Strengthening requirements for investors to obtain Neighborhood Stabilization Outcome (NSO) credit when selling to non-profit organizations. FHA is making clear that investors receive NSO credit for transferring assets to non-profits based on the non-profit achieving an NSO outcome.
11. Targeting loans for DASP sales based on non-profit and local government interest. FHA will enhance its efforts to identify and offer loans in targeted distressed areas to interested non-profits and local governments.