

**National Council of State Housing Agencies 2009 Annual Awards for Program Excellence**  
**Homeownership: Empowering New Buyers**

**Alabama Housing Finance Authority**  
**Step Up Home Loans**

AHFA designed and created its Step Up program in 2000 to supplement the Mortgage Revenue Bond program. Step Up requires none of AHFA's bond volume cap resources.

The economy of 2000 was very different from the conditions state housing finance agencies are faced with today. Now, in 2009, the loss of willing investors from the mortgage market has made it financially infeasible for HFAs to offer MRB-backed programs for their customers.

Through this program, AHFA offers a 30-year, fixed-rate first mortgage with an interest rate slightly higher than current market rate. In addition, borrowers are eligible for down payment assistance funds secured by a 20-year second mortgage.

By eliminating sales prices limits and the first-time homebuyer restriction and increasing income limits to more moderate levels, Step Up is able to target moderate-income and move-up buyers that can sustain a market-rate mortgage, but need help with the down payment.

Borrowers using Step Up may receive the lesser of 3 percent of the sales price or \$7,500 in the form of a 20-year market-rate assistance loan to be used at closing to meet the required 3.5 percent FHA down payment.

In 2005, AHFA became the servicer of all of its loan production. As such, AHFA also became a Ginnie Mae- and Fannie Mae-issuer of mortgage-backed securities. Atypical of most state housing finance agencies, AHFA does not use a master servicer to issue its securities, choosing instead to undertake that responsibility itself.

This led to the creation in 2006 of AHFA's very own secondary marketing department, responsible for setting Step Up mortgage rates and selling securities on Wall Street like any mortgage banker. Since Step Up loans are slightly above market rate loans, securities are sold at a premium which factors highly into our hedging policy.

Once a secondary offering to the MRB program, Step Up has become the single most important part of AHFA's affordable financing portfolio. Since inception, the Step Up program has aided more than 5,000 Alabama buyers with more than \$591 million in mortgage funds. In 2009 alone, Step Up has to date generated \$211 million in total loan production—a total that already exceeds previous one-year totals and has AHFA on track for a record production year.

Step Up has become a model for other housing finance agencies trying to fill the gap left by limited single-family financing options. AHFA staff has shared the Step Up program with other state HFAs to help them replicate its success for their customers. Four HFAs sent staff to the AHFA offices for intensive Step Up training, while several other HFAs were trained via phone.