

Background

On March 1, 2010, the Wisconsin Housing and Economic Development Authority (WHEDA) became the first Housing Finance Agency in the country to make use of the US Treasury's bond purchase program and to implement Fannie Mae's Affordable Advantage program.

When the market for mortgage revenue bonds (MRBs) was severely disrupted in the fall of 2008, WHEDA was one of the first state HFAs to feel the pain. On October 1, 2008, WHEDA shuttered its single-family program due to an inability to raise bond proceeds at a cost low enough to support a viable loan program. In 2009, while its single-family program was shut down, the Authority was faced with yet another issue. As a whole-loan state that relied solely on primary and pool mortgage insurance (MI) as a credit enhancement, WHEDA's bonds faced potential downgrade as the credit enhancement value ascribed to the primary and pool MI was haircut severely by the rating agencies. It became evident that if the Authority was to resume its single-family program it would have to completely change its business model from whole-loan to mortgage-backed securities (MBS) and rely on the credit enhancement provided by the nation's housing government-sponsored enterprises.

Implementation

In November 2009, two rays of hope appeared. The Obama Administration unveiled its New Issue Bond Program (NIBP), providing hope for lower-cost bond proceeds; and Fannie Mae announced Affordable Advantage, an HFA program featuring a 100% loan-to-value (LTV), no-MI loan product. WHEDA suddenly had access to the two things it needed most to be back in business – better loan pricing, and a product feature no one else could provide.

In the ensuing months, WHEDA's Single Family team was invigorated. Despite having endured a layoff that reduced the Single Family staff by 12%, WHEDA became the first state HFA to introduce a product based on the Affordable Advantage. Despite never having worked on a flow basis with Fannie Mae and not having any prior MBS or secondary marketing experience, WHEDA's Single Family staff studied the Seller Guide, underwent the necessary training, frequently bothered Fannie Mae and its HFA peers with questions, implemented internal structural and procedural changes to assure compliance with Fannie Mae requirements, rewrote its guides and forms, rebuilt its web site, negotiated umpteen contracts with Fannie Mae with the help of outside counsel (Kutak Rock), and gained the approval of the Board of Directors to roll out WHEDA Fannie Mae Advantage.

Product Description

WHEDA believes that to effectively help low and moderate income families achieve homeownership, we must accomplish two things; offer a low monthly payment, and make the down payment as affordable as possible.

With the WHEDA Fannie Mae Advantage, we were able to accomplish that and stand out in a marketplace where no other lender is offering 100% financing.

Features and Benefits

- 100% LTV, enabling the borrower to finance the entire acquisition cost
- Low cost, 30-year fixed interest rate
- \$1,000 minimum borrower contribution into the loan transaction
- Available statewide with no declining market exclusions
- No private mortgage insurance requirement keeps monthly payments low
- No loan-level price adjustments
- Higher income and purchase price limits enable more borrowers to qualify
- Most borrowers are eligible for Job Loss Mortgage Protection
- All WHEDA Fannie Mae Advantage loans are serviced by WHEDA's top rate servicing team

General Eligibility Guidelines

- Must be a first-time home buyer or purchase a home in a WHEDA target area
- Home buyer education is required for the primary wage earner. WHEDA will accept a completion certificate from a non-profit housing counselor, an on-line education program or a WHEDA workshop.
- Property must be owner occupied
- Borrower can purchase an existing single family home or a duplex*
 - * Landlord counseling required for two-unit properties
- Purchase price and income limits apply

Respond to state need

Prior to WHEDA suspending its lending operations, our mortgages represented over 6% of the first time home buyer market in Wisconsin, and we were writing about \$10 million in mortgages per week. Like other states, Wisconsin's housing market had slowed considerably and was badly in need of a mortgage product that would empower first time home buyers to purchase a home.

In fact, with WHEDA out of the market, and credit tightening up, there were very few options that lenders could offer consumers who were looking to buy their first home. Lenders were clamoring for a low cost-to-close option. With Wisconsin not being a historically big FHA state, many lenders were waiting for WHEDA to return to the market.

Measurable Results

On March 1, 2010, WHEDA's Single Family business re-opened its doors. After funding \$2 million in March, WHEDA funded \$10 million in April, \$19 million in May and \$18 million in June. In June, WHEDA successfully delivered \$10 million in MBS pools to Fannie Mae. In July,

the Authority delivered \$12 million, and in August it delivered \$24 million. The Single Family machine had successfully converted from whole-loan to MBS and the market was excited that WHEDA was back in the single family mortgage lending business.

Replicable

WHEDA's work has served as a model for other HFAs to follow as they launch their own Affordable Advantage product. While not all states rely solely on the Affordable Advantage for their volume, many have approached WHEDA on the lessons we have learned in working with Fannie Mae, marketing the product to the public, and handling media inquiries, particularly as they relate to the viability of a zero down program.

Conclusion

The housing sector faces steep challenges ahead as it regains the momentum it lost. One vital way to regain that momentum is to continue to empower HFAs to do the good work they have done for more than 30 years.

WHEDA, with 35 years of experience in the mortgage business, responded quickly once we were given the tools we needed. We adapted to a new reality and a new way of doing business. Currently, the WHEDA Fannie Mae Advantage makes up 100% of our business and is a much needed mortgage product in the Wisconsin market.

By offering the Fannie Mae Affordable Advantage as the WHEDA Fannie Mae Advantage, WHEDA has done more than put an attainable, affordable first mortgage product out on the street. We have reinvented ourselves in a time of crisis to respond to the needs of Wisconsinites and give the market a vital option.