

Homeownership: Empowering New Buyers
Georgia Housing and Finance Authority
Turning the State's Inventory of Foreclosed Homes into a Homeownership Opportunity
for New Buyers

Georgia ranks fourth in the country in foreclosure starts just behind Nevada, Florida, and Arizona, as published in the Mortgage Bankers Association of America's most recent National Delinquency Survey for the first quarter of 2010. The state's rate of new foreclosure filings during May of this year was 1 in every 292 housing units while the national average was 1 in every 399 housing units. Georgia's inventory of foreclosed homes has been steadily growing and there is no indication that trend will end soon.

The Georgia Housing and Finance Authority (GHFA) decided to take steps to address the trend of an increasing inventory of foreclosed properties and at the same time help the increasing number of families with good credit that didn't have sufficient funds for a down payment to purchase a home. When the State of Georgia received funding under the Neighborhood Stabilization Program (NSP), GHFA applied for and received a \$5,000,000 award from the state as a sub-recipient. The goal was to reduce the foreclosed property inventory in the state by assisting low and moderate income homebuyers with affordable financing and down payment assistance that would position them to purchase the foreclosed homes. This goal required GHFA to take a critical look at existing program policies and to creatively restructure programs to meet the challenges of the current market.

The new program was rolled out in 2009 at the same time that the GHFA first time homebuyers program was facing major challenges with its interest rates. If the program was to successfully reach as many people as possible it would be necessary to allow the homebuyer to access the most affordable first mortgage financing available. Therefore, we had to modify our policy and allowed our lenders to utilize any first mortgage financing available. The stipulations were that it must be a 30 year fixed rate mortgage and the interest rate charged to the borrower could be no more than 2.00% higher than Fannie Mae's published 60 day rate on the day of the loan application. To help our lenders stay in compliance we published Fannie Mae's rate each day on our website. We also limited fees that could be charged to 2.00% of the loan amount.

The other hurdle that had to be overcome was the down payment assistance. One of the major issues facing low and moderate income homebuyers in Georgia is the funds needed for a down payment. The Georgia Dream Homeownership Program has a number of successful down payment assistance programs. All of them are in the form of a zero percent deferred second mortgage that is due and payable when the home is sold, refinanced, or no longer the borrower's primary residence. With the \$5.0 million we received from the state, our down payment program was set up as a zero percent forgivable \$14,000 second mortgage that is forgiven at a rate of 20% a year over the first five years.

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The program was directed to families whose incomes did not exceed 120% of Area Median Income (AMI) and reasonable purchase price limits were established. We also had to ensure that 25% of the funds went to customers whose incomes were no more than 50% of AMI. Our Business Development and Training staff developed training and marketing materials that were used statewide. We paid particular attention to working with our existing network of housing partners in rural low income areas. The educational campaign was designed to ensure that potential home owners were aware that the \$14,000 in down payment assistance would be totally forgiven if they lived in their new home at least five years. Now, purchasing a home in rural Georgia where safe and clean homes may be purchased for \$70,000 was an attainable dream, even for those families whose incomes were less than 50% of the area's median income. As a result of our efforts, we were able to meet the 25% of funds going to families with incomes lower than 50% of the area's median income requirement.

The program has been a resounding success. We opened the program in April 2009, and by July 2009, we had used our entire allocation of \$5.0 million. We requested a second allocation of funds from the state and received \$2.6 million in July 2009 from funds returned by other sub-recipients who were not able to use the funds they had been awarded. We then made a third request for funds and received an allocation in January 2010 of \$700,000. As a result of these efforts, we have been able to help close to 600 families become first time homeowners while also reducing the inventory of foreclosed homes in the state. We easily met the 25% requirement which means we helped many low income families become home owners for the first time.

Earlier this year, we received a letter from one of our brand new home owners who purchased their home under this program. Following is the text of that letter.

"I just wanted to say THANK YOU for making home ownership a reality for me! November 12, 2009 with down payment assistance from Georgia Housing NSP I was able to purchase my first home! My son and I have been there for 5 months now and we are thrilled! This would not have been possible without this program. Being a single mom and having raised 3 kids and still raising the last one it has taken all that I earn to maintain rent, utilities, groceries, etc. and there is nothing left to save, therefore I had no money saved for anything much less a down payment on a house. I knew though that if I could get down payment assistance I could buy a home with probably a lesser mortgage payment than what I have paid in rent for many years, and it came true, my mortgage payment ended up being \$175.00 less than my rent!!! Again thrilled! I just had to take the time to say thank you, thank you, thank you! I wish I could invite all of you to my new house just so you could see how great it is!"