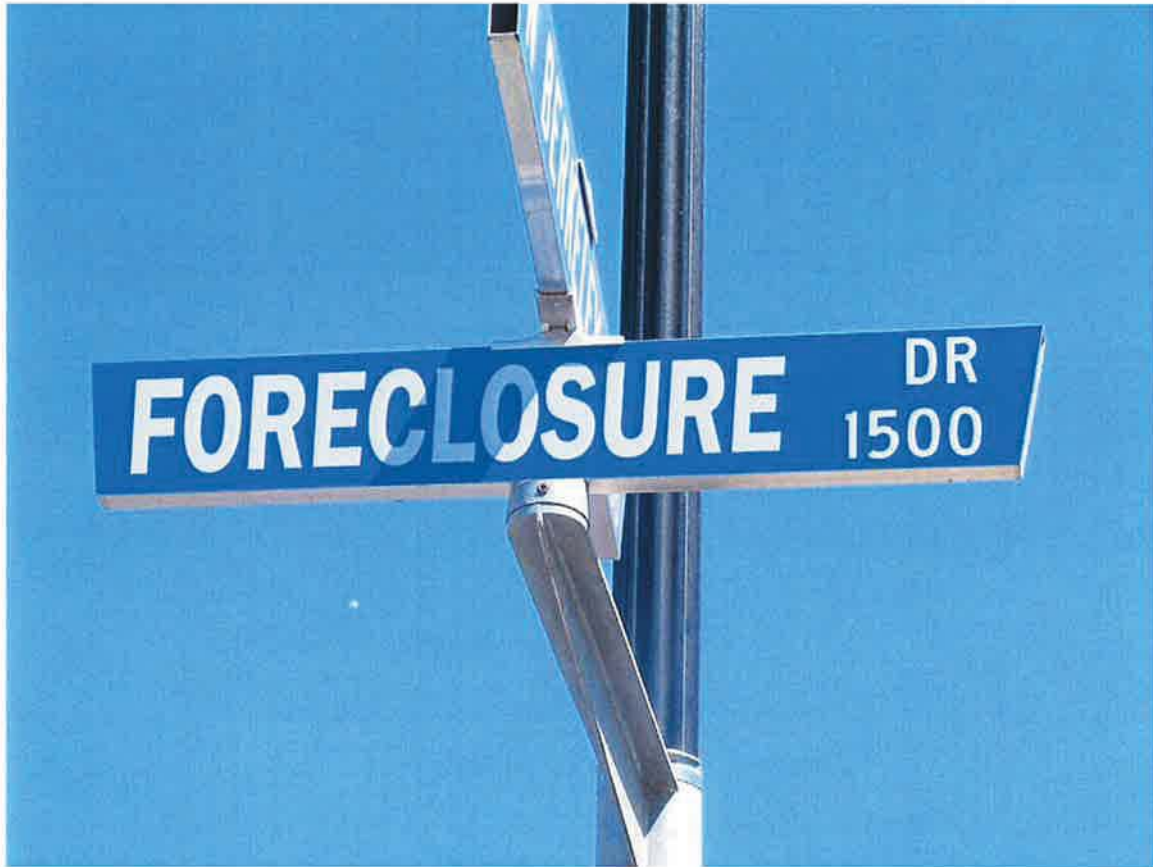


Homeownership: Empowering New Buyers



Simple Solutions for the Foreclosure Crisis

Washington State, like the rest of the country, has faced an increase in the number of homeowners facing foreclosure. Because the Housing Finance Commission's character statement says we will "stabilize families", we took a hard look at what we could do as the state's housing finance agency to stabilize homeowners and neighborhoods.

We did not want the solution to be complicated, but rather, build on what the Commission does best and how we could adapt our resources and use our partnerships to help with the foreclosure problem. Our strategy, outlined below, was developed to meet the needs of homeowners facing foreclosure and first-time homebuyers who wanted to avail themselves of the opportunities in the distressed lending market.

We used a 3-pronged approach, 1) providing downpayment assistance using the Commission's funds and federal Neighborhood Stabilization Funds; 2) partnering with Master Builder Associations and 3) partnering with housing counseling/information and referral organizations, Northwest Justice Project and the Washington State Department of Financial Institutions.

Downpayment Assistance

We were seeing increasing numbers of foreclosed properties coming on the market that would be advantageous purchases for first-time homebuyers. So, to help potential purchasers of foreclosed properties be able to buy these homes, we lowered our standard House Key Plus downpayment assistance program's interest rate from 5% to 3%. Homebuyers can borrow up to \$10,000 with a 10 year amortizing term.

We implemented the program in the spring of 2009 and have had a steady stream of reservations for funds. To date, we have 235 of these loans in our pipeline and we do not see a change in this trend until sometime late in 2011 when we believe the foreclosure rate will start to slow down.

Neighborhood Stabilization Program Funds

We created a downpayment assistance second mortgage program for first-time homebuyers purchasing foreclosed, bank-owned or abandoned homes, in the City of Federal Way, WA. This program helps neighborhoods in Federal Way that have been impacted by high foreclosure rates.

The funds, in the amount of \$619,104, were made available to the City of Federal Way as part of the federal Neighborhood Stabilization Program. The City asked the Commission to administer the funds because we have such a good delivery mechanism with our lenders.

The Federal Way loan is a 0 percent interest, deferred payment second mortgage that must be used in conjunction with the Commission's first mortgage program. Applicants may qualify for up to \$50,000. The money can only be used for a down payment and closing costs on foreclosed, bank-owned, 90-plus days delinquent or abandoned single family residences, including condominiums, in Federal Way. The loan must be repaid within 15 years, or upon the sale or refinance of the home.

When the program launched late last year, the City of Federal Way took a phased approach to allocating the money. They attempted to offer the program as a type of social service by first targeting residents earning 50 percent of the median income. Little interest was gleaned, largely because home values in Federal Way outpaced, even with down payment assistance, what is affordable to this income bracket.

Income guidelines for the program have recently become more lenient, opening the door for median income families to qualify for funding. With the change in income guidelines, we now have 21 loans in the pipeline which will use up all of these funds.

Partnership with Master Builders

The “New Home for You” program offers a lower first mortgage rate by a quarter point and a House Key Plus down payment assistance loan interest rate at 3%, down from our normal 5% rate for homebuyers purchasing a newly constructed, never occupied home.

We partnered with the Master Builders Associations to market the program and help them reduce their excess homes on the market. When the program, in the amount of \$20 million, was first launched in February of this year, the reservations were slow, but once the Master Builders began marketing the program to their member builders, it picked up speed. To date, we have 24 loans in our pipeline. Additional loan volume will depend on the rate we can get the next time we issue bonds and the availability of downpayment assistance funds.

Other Partnerships

We work with 35 local non-profit housing counseling organizations and one statewide information and referral organization. The counseling organizations do an exceptional job preparing potential homebuyers and helping current homeowners work with their lenders to avoid foreclosures. The Washington Homeownership Resource Center (WHRC), the statewide information and referral organization, staffs a hotline to direct people to the housing counselors and Northwest Justice Project (NWJP). NWJP is a not-for-profit law firm that provides free civil legal assistance and representation to low-income people throughout Washington. NWJP helps people in critical need of legal assistance to avoid foreclosure.

The Commission created the hotline through a partnership with the Washington State Department of Financial Services. When lenders began giving the hotline number to their delinquent homebuyers in early January of this year, the WHRC reported an increase by 44% of the calls they were receiving.

This program has been a phenomenal success and we have been very pleased with the assistance that has been provided to hundreds of people across the state. In fact, the success of the program has increased the workloads of our housing counselors who do both pre-purchase and post-purchase counseling to reach maximum service levels. The Commission will be working with our state legislature to secure additional funding to cover the costs of these much needed services.

Summation

The programs and efforts cited above did not take a tremendous amount of work to set up, but the benefits have been truly amazing. We would encourage other HFAs to look at the existing resources they have, where they can get additional resources and how they can make the most of current and new partnerships.