

Idaho Housing and Finance Association's
Empowering New Buyers

**Affordable Homebuyer Financing without MRBs
(Multiple Secondary Market Options Initiative)
By Susan Semba**

Program Objective

Provide competitive home loan financing for low-to-moderate-income buyers (primarily first-time homebuyers) without the traditional advantages offered with Mortgage Revenue Bonds (MRBs), and in so doing continue to support sustainable homeownership for thousands of qualified borrowers.

Background

Idaho Housing and Finance Association (IHFA) has taken a number of innovative and noteworthy steps to keep mortgage production alive and growing as our traditional mortgage financing opportunities have been interrupted by disruptions in the market for tax-exempt MRBs. Market conditions have made it virtually impossible to issue MRBs and produce a mortgage interest rate at or below-market rates currently being offered. The New Issue Bond program (NIBP) provided a temporary channel in late 2009 to counter the difficult market environment, but historic and unprecedented declines in interest rates and the narrowing of credit spreads between U.S. Treasury securities and mortgage backed securities (MBS) has reduced the effectiveness of the NIBP as a secondary market vehicle in 2010.

Program Description

IHFA developed multiple secondary market options for the purpose of delivering the most competitive rate possible under given market conditions. This includes establishing seller/servicer relationships with the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), and added this year the Government National Mortgage Association (GNMA). The establishment of these secondary market relationships allows IHFA to choose the best execution at any point in time. Consequently, during 2010 and 2011 as the market favored Federal Housing Authority (FHA) business and GNMA securities were offering the lowest possible rates, IHFA largely priced and channeled production through GNMA. This allowed IHFA to offer loan rates typically 1/8 percent to 1/4 percent below the market.

Response to Housing Needs

The MRB program became less or not at all competitive in the marketplace. IHFA's objective to continue to provide an affordable mortgage program required retooling and the development of other resources for financing affordable mortgages. With the help of the new partnership with GNMA, IHFA's loan programs this past year has served 2,769 Idaho families, \$324 million in loans purchased. Of those 85 percent were to first-time homebuyers and served Idaho families with an average income of \$38,000.

Product Competitive Advantages

Working with diverse secondary market options, IHFA built and highlighted product advantages to encourage new homeownership opportunities without the traditional MRB rate advantage. Attached to this entry is our new Homebuyer's Guide that helps lead buyers through the home-buying process. It also focuses on IHFA's competitive advantages:

- Start with education – IHFA has developed partnerships throughout Idaho delivering homebuyer education classes to prospective buyers, as well as offering online courses in both English and Spanish.
- Make it affordable – offering the right products with a great interest rate and manageable loan payment.
- Take advantage of down payment assistance – only IHFA offers down payment assistance programs for Idaho homebuyers.
- Don't miss out on homebuyer tax credits – IHFA began offering the Mortgage Credit Certificate (MCC) this year as we no longer were using the tax exempt authority through the MRB program. In order to ensure use of this resource, IHFA began offering tax credits to qualified buyers. This program allows buyers to use a tax credit making their mortgage even more affordable.
- Work with qualified professionals – with the past mortgage industry problems, many homebuyers are not sure how to go about finding a knowledgeable lender and real estate salesperson. IHFA's network can connect these buyers with the most experienced and knowledgeable lenders and Realtors® in Idaho.
- a long-term partner – IHFA staff is available to assist in making the home-buying experience a good one. IHFA services all loans locally, and offers housing counseling including post-purchase and foreclosure counseling. Homeowners keep updated with homeownership tips through our triannual newsletter.

Effective Use of Resources

With multiple secondary market options, each loan is evaluated at the time it is reserved and is routed to its best available market outlet. IHFA has retooled itself from being a very active issuer of MRBs to an originator of mortgage loans for the best execution option available, which in turn allows for lower interest rates. GNMA's business model works well within our basic knowledge of pooling loans for MRB's, and with the market relying heavily on FHA lending, our GNMA outlet has become IHFA's primary source for mortgage financing. The different options give us the ability to offer a profitable loan program while continuing to fulfill our housing mission.

This year we allocated loans to the following resources:

<u>Loan Type</u>	<u>Volume</u>	<u>Number of Loans</u>
FNMA	\$52 million	438 loans
FHLMC	\$6 million	60 loans
GNMA	\$238 million	2,026 loans
MRBs	\$28 million	245 loans
	<hr/>	<hr/>
	\$324 million	2,769 loans

Benefits

Market conditions in the traditional MRB market have forced many housing finance agencies to curtail their mortgage lending programs, while waiting for the MRB market to improve. With this business model using multiple market sources, IHFA has been able to sustain a high level of lending and achieve a higher overall servicing fee while managing a net gain from the forward sale of the securities to GNMA. The gain this year amounted to \$3 million, much more than the cost of tracking loans with multiple secondary market sources as well as the required accounting and investor reporting.

Issuing MRBs in today's tax-exempt market would produce a mortgage rate to the homebuyer that is approximately 0.50 percent to 0.75 percent higher than the mortgage rates available through the secondary market sources: FNMA, FHLMC, and GNMA. This business model benefits the homebuyer by offering affordable loan financing along with the advantages of IHFA's loan programs.

Summary

IHFA continues to explore and access alternative secondary markets allowing a continuous source of funding to finance affordable housing. IHFA is hopeful that the tax-exempt market conditions improve in the future to allow the resumption of its MRB program. In order to offer lower interest rates and sustain affordability, IHFA will continue to empower new buyers, pursuing the best secondary market execution opportunity available in this mortgage environment.



Homebuyer's Guide

**Start smart.
Start here.**

IdaMortgage.com

Brought to you by Idaho Housing and Finance Association

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Achieve Your Dream of Homeownership

Homeownership is an exciting step. Whether you are purchasing your first home or a new home, you are no doubt excited about your future as a homeowner, and building a solid foundation for you and your family. Taking time to ask some important questions is a smart way to start the home-buying process:

Am I ready to buy a home?

How much home can I afford?

What steps should I take to purchase a home?

To learn the answers to these and many more questions, we recommend you start smart and start here, at www.IdaMortgage.com, a homeownership lending and resource center. IdaMortgage, brought to you by Idaho Housing and Finance Association, has been helping homeowners for over 40 years. This guide is one of the many resources offered by IdaMortgage. It walks you through the home-buying process, and provides you with helpful information about what is involved in making one of the most important decisions in your life. Here are a few of the start smart steps to homeownership:

- **Start with education**

Finally Home!® Homebuyer Education will prepare you and your family for homeownership. Whether you take homebuyer education online or in person, you will learn everything from whether you can afford homeownership to information about mortgages, closing costs, budgets, and how to protect your greatest investment. If you are thinking about buying a home, take *Finally Home!*® first.

- **Make it affordable**

Get the right loan product with a great interest rate and a manageable loan payment. IdaMortgage loan products are always among the most affordable and usually offer the lowest mortgage rates in Idaho. Start smart with a great interest rate!

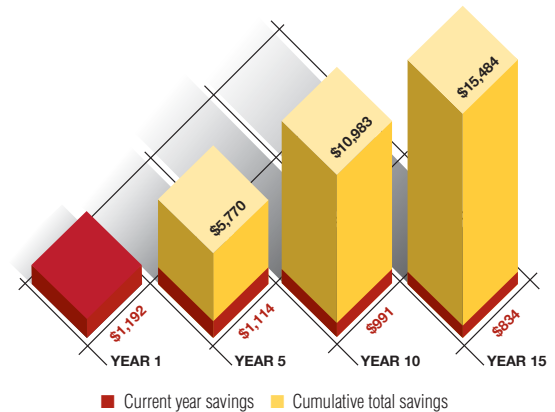
- **Take advantage of down payment assistance**

Only IdaMortgage offers down payment assistance to homebuyers with good credit. Holding on to an extra \$3,000 to \$5,000 of savings when you buy your home is a smart way to prepare for your future.

- **Don't miss out on homebuyer tax credits**

Homebuyer tax credits are still available, but only through IdaMortgage. Qualified homebuyers can save as much as \$2,000 each year on their taxes for as long as they own and live in their home! Don't miss out on thousands of dollars of tax savings.

Homebuyer Tax Credit Savings



Example of a homebuyer's savings realized through year 15 using the homebuyer tax credit for a \$120,000, 30-year mortgage at a 5% interest rate.

- **Work with qualified professionals**

Work with the best. IdaMortgage staff have years of experience helping all types of homebuyers. They understand your concerns and needs and can connect you to the most knowledgeable and experienced lenders and REALTORS® in Idaho. Start smart by working with a winning team.

- **Start with a long-term partner**

IdaMortgage loans are serviced right in Idaho and our staff provides you with assistance even after your loan closes. We answer any questions that might arise about your loan, assist you with housing counseling if necessary, and keep you updated with homeownership tips through our newsletters. Starting with a long-term partner is a smart way to make your home-buying experience a good one.

To stay on track with the purchase of your home, follow the handy homebuyer's checklist in the back of this guide.



Finally Home![®] Homebuyer Education

If you are thinking about buying a home, think *Finally Home!*[®] first. *Finally Home!*[®] will prepare you to choose the home that is right for you, provide tips on finding the right REALTOR[®], and help you make a more informed, sound decision. In addition, completion of homebuyer education will help you qualify for down payment and closing cost assistance. For more information about taking *Finally Home!*[®] in person or online, visit www.IdaMortgage.com. There is a minimal fee to complete *Finally Home!*[®].



Housing Counseling

IHFA offers free, statewide housing counseling for a variety of housing concerns before or after you purchase a home. If you need assistance before purchasing a home, our housing counselors can help with a variety of situations, by:

- Reviewing your credit reports and helping you with a debt-reduction plan
- Developing a budget with you with homeownership in mind
- Providing you information and education about housing resources, rights, and responsibilities.

Free housing counseling is available by calling 1-877-888-3135.



IdaMortgage Home Loan Program

As a homebuyer, it is important for you to find the right type of home loan and receive the best interest rate possible. Our loan products offer unique options to suit the needs of a variety of homebuyers. Below is an overview of all loan products:

	KEY FEATURES
LOAN PRODUCTS	
First Loan	<ul style="list-style-type: none"> • Lowest fixed-rate for low-to-moderate income borrowers • Conventional, RD, FHA, and VA loans • First-time homebuyer requirement may apply* • Sales price limits apply*
Advantage Loan	<ul style="list-style-type: none"> • Low fixed-rate for higher income borrowers* • Conventional, RD, FHA, and VA loans • No first-time homebuyer requirement • May be used for purchase or refinance • No sales price limits
FHA 203(k) Streamline Rehabilitation Loan	<ul style="list-style-type: none"> • Purchase a property and include the cost of making repairs and improvements in the loan • Up to \$35,000 or 10% of the sales price • Complete cosmetic improvements and uncomplicated repairs such as new paint, carpet, windows, and roof

* See borrower requirements for specific income and sales price limits listed by county for all loans.





Homebuyer Tax Credit Program

Save up to \$2,000 per year with the Homebuyer Tax Credit as long as you own and live in your home! Program features include:

- Up to 20% of the total mortgage interest paid in additional income tax credits each year
- Can be used with IdaMortgage loan products
- First-time homebuyer requirements apply
- Owner occupancy is required to receive tax credit

Down Payment and Closing Cost Assistance

Take advantage of down payment and closing cost assistance! Funds are available to qualified families and individuals to help them purchase a home. Borrowers may qualify for one of these down payment and closing cost assistance loan products:

LOAN PRODUCTS	KEY FEATURES
HOME Down Payment Closing Cost Assistance Loan	<ul style="list-style-type: none"> • Available for first-time homebuyers with less than 80% of area median income • 2nd mortgage for a minimum loan amount of \$1,000 with a maximum of 3.5% of the purchase price not to exceed \$8,000, based on borrower's need and household area median income • Conventional, RD, FHA, and VA loans • Homebuyers with a minimum FICO score of 660 for Conventional loans • Borrower minimum investment of \$500, with no cash out at closing • Property must have previously been vacant or owner-occupied • <i>Finally Home!</i>® Homebuyer Education program completion is required prior to applying for assistance
Good Credit Rewards Loan	<ul style="list-style-type: none"> • 2nd mortgage for up to 3.5% of sales price • Homebuyers with less than 140% of area median income • Homebuyers with a minimum FICO score of 680 • Homebuyers with a FICO score below 720 must complete <i>Finally Home!</i>® Homebuyer Education

Borrower Requirements

Prospective homebuyers must meet the following requirements for an IdaMortgage home loan product:

All Loan Products:

- The borrower must live in Idaho, and must occupy the financed property as a principal residence within 14 days after closing.
- The borrower must have acceptable credit and employment history.

First Loan Product Only:

- The borrower cannot have been a homeowner during the last three years in some counties (see chart on following page).
- Property sales price limits apply as listed by county in chart.
- Borrower must meet income limits as listed by county in chart.
- The home must be owner occupied for term of IdaMortgage loan.

Advantage Loan Product Only:

- Borrower does NOT need to be a first-time homebuyer.
- Borrower must not exceed income limits of 140% of area median income as listed by county in chart.
- There are NO sales price limits.
- Property does not have to be owner occupied for the term of the loan.



Borrower Requirements continued

First Loan Product Requirements

COUNTY	BORROWER INCOME LIMITS*		HOME SALES PRICE LIMITS	PREVIOUS HOMEOWNERSHIP
	1- OR 2-PERSON HOUSEHOLD	3+ PERSON HOUSEHOLD	(EXISTING OR NEW)	IN THE LAST 3 YEARS?
Ada	\$61,900	\$71,875	\$276,800	NOT Allowed
Adams	\$67,800	\$79,100	\$304,000	Allowed
Bannock	\$56,500	\$64,975	\$247,000	NOT Allowed
Bear Lake	\$67,800	\$79,100	\$300,000	Allowed
Benewah	\$67,800	\$79,100	\$300,000	Allowed
Bingham	\$67,800	\$79,100	\$300,000	Allowed
Blaine	\$78,000	\$89,700	\$425,000	NOT Allowed
Boise	\$74,280	\$86,660	\$338,000	Allowed
Bonner	\$67,800	\$79,100	\$300,000	Allowed
Bonneville	\$59,800	\$68,770	\$247,000	NOT Allowed
Boundary	\$67,800	\$79,100	\$300,000	Allowed
Butte	\$56,500	\$64,975	\$247,000	NOT Allowed
Camas	\$56,500	\$64,975	\$247,000	NOT Allowed
Canyon	\$74,280	\$86,660	\$338,000	Allowed
Caribou	\$56,500	\$64,975	\$247,000	NOT Allowed
Cassia	\$67,800	\$79,100	\$300,000	Allowed
Clark	\$67,800	\$79,100	\$300,000	Allowed
Clearwater	\$67,800	\$79,100	\$300,000	Allowed
Custer	\$67,800	\$79,100	\$300,000	Allowed
Elmore	\$56,500	\$64,975	\$247,000	NOT Allowed
Franklin	\$57,000	\$65,550	\$247,000	NOT Allowed
Fremont	\$56,500	\$64,975	\$247,000	NOT Allowed
Gem	\$67,800	\$79,100	\$338,000	Allowed
Gooding	\$67,800	\$79,100	\$300,000	Allowed
Idaho	\$67,800	\$79,100	\$300,000	Allowed
Jefferson	\$71,760	\$83,720	\$300,000	Allowed
Jerome	\$67,800	\$79,100	\$300,000	Allowed
Kootenai	\$68,400	\$79,800	\$318,000	Allowed
Latah	\$58,200	\$66,930	\$247,000	NOT Allowed
Lemhi	\$67,800	\$79,100	\$300,000	Allowed
Lewis	\$67,800	\$79,100	\$300,000	Allowed
Lincoln	\$67,800	\$79,100	\$300,000	Allowed
Madison	\$56,500	\$64,975	\$247,000	NOT Allowed
Minidoka	\$56,500	\$64,975	\$247,000	NOT Allowed
Nez Perce	\$56,500	\$64,975	\$247,000	NOT Allowed
Oneida	\$67,800	\$79,100	\$300,000	Allowed
Owyhee	\$74,280	\$86,660	\$338,000	Allowed
Payette	\$67,800	\$79,100	\$300,000	Allowed
Power	\$56,500	\$64,975	\$247,000	NOT Allowed
Shoshone	\$67,800	\$79,100	\$300,000	Allowed
Teton	\$71,520	\$83,440	\$425,000	Allowed
Twin Falls	\$56,500	\$64,975	\$247,000	NOT Allowed
Valley	\$56,500	\$64,975	\$425,000	NOT Allowed
Washington	\$67,800	\$79,100	\$300,000	Allowed

* Non-targeted Counties

Please Note: Some products may require Finally Home!® Homebuyer Education, please ask your IdaMortgage lender to learn more. Loan program income limits vary by program. Please check www.IdaMortgage.com for the most current sales price and income limits.

Advantage Loan Product Requirements

BORROWER INCOME LIMITS* UP TO 140% MEDIAN INCOME	
COUNTY	
Ada	\$86,660
Adams	\$79,100
Bannock	\$79,100
Bear Lake	\$79,100
Benewah	\$79,100
Bingham	\$79,100
Blaine	\$109,200
Boise	\$86,660
Bonner	\$79,100
Bonneville	\$83,720
Boundary	\$79,100
Butte	\$79,100
Camas	\$79,100
Canyon	\$86,660
Caribou	\$77,700
Cassia	\$79,100
Clark	\$79,100
Clearwater	\$79,100
Custer	\$79,100
Elmore	\$79,100
Franklin	\$79,800
Fremont	\$79,100
Gem	\$79,100
Gooding	\$79,100
Idaho	\$79,100
Jefferson	\$83,720
Jerome	\$79,100
Kootenai	\$79,800
Latah	\$81,480
Lemhi	\$79,100
Lewis	\$79,100
Lincoln	\$79,100
Madison	\$79,100
Minidoka	\$79,100
Nez Perce	\$79,100
Oneida	\$79,100
Owyhee	\$86,660
Payette	\$79,100
Power	\$79,100
Shoshone	\$79,100
Teton	\$83,440
Twin Falls	\$79,100
Valley	\$79,100
Washington	\$79,100

Please Note: Some products may require Finally Home!® Homebuyer Education, please ask your IdaMortgage lender to learn more. Loan program income limits vary by program. Please check www.IdaMortgage.com for the most current sales price and income limits.



Easy Steps to Secure an IdaMortgage Home Loan

Start smart, start here by following these three easy steps:

1. Check your eligibility at www.IdaMortgage.com by answering a few short questions, or call an IdaMortgage representative at 1-866-432-4066.
2. By checking your eligibility at www.IdaMortgage.com, you will also receive a referral to a participating lender who will assist you through the loan process.
3. Once you have found the perfect home and received your IdaMortgage loan at a low 30-year, fixed-rate, you will move into your home.

IdaMortgage Homebuyer's Checklist

Start smart by using our homebuyer's checklist:

- Complete *Finally Home!*® Homebuyer Education
- Select an IdaMortgage participating lender by visiting www.IdaMortgage.com
- Pre-qualify with your lender to find out how much home you can afford
- Make a list of what you are looking for in a home
- Select a REALTOR®
- Search for homes in your price range with your REALTOR®
- Choose a home and make an offer with your REALTOR®
- When you make an offer, be sure to ask for a home inspection and include a repair allowance that may be needed
- Upon offer acceptance, find the right homeowner's insurance company
- Complete the loan process by obtaining an IdaMortgage loan

**Congratulations, you are now a homeowner.
Enjoy your new home!**

Idaho Housing and Finance Association, a financial services and housing business organization, provides funding for affordable housing in communities where it is most needed and when economically feasible. IHFA is a self-supporting corporation that must generate all revenue necessary to cover the cost of its operations. It does this by earning fees for work performed and does not use any state-appropriated funds for its operations.



For complete program descriptions and more eligibility information on these, or any of IHFA's homeownership lending and down payment assistance programs, visit: IdaMortgage.com, or call our toll free number at 1-866-432-4066.

IdaMortgage.com

Brought to you by Idaho Housing and Finance Association

Homeownership Lending Department

P.O. Box 7899

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208-424-7066

1-866-432-4066

Hearing Impaired

1-800-545-1833, Ext. 400

* Programs are subject to change at any time.
Funds are limited, and certain restrictions apply.

