

Iowa Finance Authority 2011 Down Payment Assistance Special

Saving up the cash for a down payment is the biggest hurdle standing in the way of many Iowans and their dream of homeownership. In fact, in a survey by the Iowa Finance Authority last year, 69% of Iowa lenders report that down payment and closing cost expense is the most challenging financing issue that most Iowa buyers face. Recent Iowa Finance Authority home buyers also rank grant money for down payment assistance as the most appealing benefit offered during financing.

The Iowa Finance Authority has assisted nearly 60,000 Iowans through the FirstHome and FirstHome Plus programs. Still, the Iowa Finance Authority saw that having the cash on hand for otherwise qualified home buyers was a problem.

Innovation at Work

The Iowa Finance Authority's FirstHome Plus program offers a grant of \$2,500 in down payment assistance, but staff recognized that this still may not be enough for many Iowans, especially when budgets are tight. Therefore, on October 13, 2011, the Iowa Finance Authority announced that it would increase the down payment assistance grant by \$1,000 in addition to the \$2,500, for loan applications completed before December 31, 2011.

With the additional assistance, more than 290 Iowans realized their dream of homeownership, from mid-October through the end of December. This was an increase of two loans per day over the 79 days that the \$3,500 down payment assistance special ran. In comparison to 2010, this was an increase in volume from 80 to 291, a difference of 211 loans.

Response to State Housing Need

The majority of Iowa renters surveyed reported that grant money for down payment assistance is the most appealing benefit when considering purchasing a home. It's a hurdle to find the funds to close on a home, and the Iowa Finance Authority, through the FirstHome Plus program \$2,500 grant, and the additional \$1,000 for down payment assistance, helped bridge this gap for many Iowans.

Actual down payment assistance volume year-to-date prior to program start was \$37 million. However, with the additional bonus in grant money, volume during the special program period increased to an annualized amount of \$105 million. The Iowa Finance Authority also increased loan volume by two loans per day over the 79-day period,

which is estimated to be an additional 160 new borrowers that otherwise would not have been assisted through regular programming.

Achieve strategic objectives

The \$3,500 down payment assistance special was a two objective initiative.

1. To increase loan volume of FirstHome and FirstHome Plus.
2. To increase awareness of the Iowa Finance Authority's programs.

The Iowa Finance Authority surpassed the objective to increase loan volume. During the same program period in 2010, down payment grant assistance was utilized on 80 loans. In 2011, that number increased three-fold to 291 loans utilizing grant money for down payment assistance. Staff set a goal to increase volume by 10%, but loan volume increased by 16% during the special.

The Iowa Finance Authority has also increased awareness of programming. Prior to the down payment assistance bonus, only 50% of Iowa Finance Authority borrowers utilized the \$2,500 in grant assistance available through the FirstHome Plus program.. During the special, an increase of 80% of all reservations was realized. After the \$3,500 special expired, down payment volume leveled off but has held steady at 75%, an overall, continued increase of 25%.

Demonstrate measurable benefits to HFA targeted customers

Affordable homeownership translates to safe and affordable homes for Iowa's workforce, builds strong neighborhoods, vibrant communities and ultimately a thriving economy. With the recent economic downturn, many Iowans balked at the cost of trying to finance a home. With grant money totaling \$3,500 for down payment assistance, 291 homeowners during a 79-day period realized the ultimate American dream. These new homeowners are realizing the benefits of owning a home and reinvesting in their future.

Have a proven track record of success in the marketplace

The FirstHome program was established in 1977. Since its inception, the FirstHome and FirstHome Plus programs have helped nearly 60,000 homeowners realize the benefits of homeownership. These homeowners help contribute to the job market, provide stable neighborhoods and good schools that are synonymous with the Iowa economy.

Provide benefits that outweigh costs

The Iowa Finance Authority is a self-funded state agency. Down payment assistance loans are typically priced at an interest rate .50% higher than non-down payment assistance loans. The higher rate results in greater interest income of approximately \$100,000 over the course of the year. Initial investments for the special equaled \$291,000, but future investment of approximately \$100,000/year will be realized over the course of the 30-year mortgage terms.

Demonstrate effective use of resources

The FirstHome Plus program was already in place, and was a familiar product to lenders, Realtors and borrowers throughout the state. Adding an additional \$1,000 in grant money assistance was simply an added benefit to the current program. However, gains of approximately \$400,000 a week in loan volume were realized during this short time. Recognition of the down payment assistance program and its benefits have held steady, with 75% of all reservations now using grant money.

Effectively employ partnerships

The Iowa Finance Authority works with a network of more than 400 community lender locations throughout the state to offer our products to Iowans, such as the FirstHome Plus program.