



Entry Form 2017 Annual Awards for Program Excellence

Entry Deadline: Thursday, June 15, 2017, Midnight ET

Each entry must include a completed entry form. Please complete a form for each entry your HFA is submitting. The completed entry form will become the first page of your entry.

This form is a fillable PDF. Type your information into the entry form and save it as a PDF. Please do not write on or scan the entry form. **Questions: Call 202-624-7710 or email awards@ncsha.org.**

Entry Title: Enter your entry's title exactly as you wish it to be published on the NCSHA website and in the awards program.

Category:

Subcategory:

Entry Summary: A 15-word (max) summary of the program, project, or practice you are entering.

HFA:

HFA Staff Contact:

Phone:

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Visual Aids:

Are you mailing to NCSHA 10 copies of any visual aids that cannot be included in your entry PDF? Yes No

Payment:

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MassHousing
Operation Welcome Home
Homeownership – Empowering New Buyers

Background

In 1944, President Franklin Roosevelt signed into law the “Servicemen’s Readjustment Act” which extended a wide variety of benefits to eligible veterans. Also known as the GI Bill of Rights, this law provided veterans with a federally guaranteed home loan with no down payment. This feature was designed to provide housing and assistance for veterans and their families, and as a result of its creation, the dream of homeownership became a reality for millions of veterans.

Over the history of this program, over 20 million VA home loans have been insured by the government. Given the enormous success of this program – one might reasonably ask, “How can you top that?” And as importantly, “Why should we even try?” MassHousing dared to ask these questions when we learned of a borrower who was eligible for a VA loan by almost all of the VA’s guidelines – with two small exceptions: he was trying to buy this newfangled thing called a condominium, and he was trying to buy the home jointly with a woman who wasn’t his wife.

The Problem

By current lending standards, two unrelated borrowers who seek to buy a home doesn’t seem like an impediment – nor does the desire to buy a condo. Beyond the usual underwriting reviews related to employee history, income and credit score, these kinds of considerations don’t generally come into play. But this isn’t true if you are veteran and you are trying to take advantage of the VA loan program. They were ineligible for a VA loan because they were not married and because the property was a condo.

The veteran who we came to know was a young man named Michael Stearns. Michael is a decorated Marine Corps veteran who served two tours of duty in Iraq, and whose family has served with distinction in the United States military for generations – dating back to great-great uncles who fought in the Battle of Bunker Hill during the Revolutionary War. The co-borrower was his high school sweetheart, and fiancée. They were buying a recently renovated condominium in a three unit building in a quiet residential neighborhood just north of Boston.

This was the impetus for MassHousing to consider how we might develop a new homeownership loan program that would serve to supplement the product that is currently offered by the VA and make the dream of homeownership possible for those who might otherwise be excluded from this program or face significant challenges in utilizing it.

There is no question that the traditional product for loans to armed service veterans has always been the VA loan. In many markets, this program satisfies the vast majority of the needs armed service veterans have when it comes to buying a home. But in Massachusetts, the VA loan presents some unique challenges to armed service veterans. To better serve those who have served the country, MassHousing decided to create a conventional loan for veterans that would broaden eligibility and increase the number of participating lenders, all while improving the features and pricing of a traditional VA loan.

Massachusetts has never been a high volume VA loan state, ranking annually in the bottom half of states with VA insured loan production. The reasons behind this include the fact that there are few military bases in Massachusetts and a relatively low number of armed service veterans who make Massachusetts their

home. In fact, a review of our records showed that only 26 of MassHousing's 150 approved lenders were approved VA lenders and only a dozen were active with any level of volume.

As well, most of the VA lenders were located in the greater Boston area leaving most of the state without easy access to any VA lenders at all. As a result of this lack of competition, VA loan interest rates in Massachusetts are among the highest in the country. This problem grew as more young Massachusetts' residents enlisted in the armed services after September 11, 2001 and are serving in all branches of the military. Over time, many of those enlistees have been separating from the service and returning home, only to find it both difficult and costly to get a VA home loan. There are approximately 380,000 veterans living in Massachusetts, of which approximately 30,000 are in the prime home buying age group of 18 to 35.

In addition to the prohibition of unmarried, co-borrowers from buying properties and the problems with small unit count condominium conversions, reservists and National Guard members are also excluded from eligibility until they have fulfilled their full reserve enlistment obligation.

MassHousing's Solution

To create a conventional loan program for veterans, MassHousing knew that it needed to provide veterans with 100% LTV financing, at costs equal to or less than VA loan rates in the market. Both borrower and property eligibility also needed to be broadened so that more veterans and more homes would be eligible.

To do this, MassHousing used a conventional Fannie Mae 30 year, fixed rate, mortgage, combined with a 3% second mortgage for the down payment. The second mortgage was at 0% interest rate with all payments deferred until the property is sold or the first mortgage refinanced.

Fannie Mae conventional rates were lower than VA interest rates in the market. With its new loan program, borrowers had an added bonus with access to MassHousing's enhanced mortgage insurance, known as MIPlus™. MIPlus™ pays a borrower's principal and interest on their mortgage for up to six months if they lose their job. At the same time, MIPlus™ not only insures the loan with premiums lower than the effective cost of VA loan premiums, but also extends this unemployment benefit protection to veterans and reservists who are activated or recalled to active duty, making principle and interest payments for the veteran while they were deployed.

Again, the problem that unmarried borrowers were facing in qualifying for a VA loan was that in order to qualify for a mortgage, the non-veteran member of the couple could not own the real estate or be a co-borrower. Reservists with time left to serve were ineligible. About 40% of the condominium and older housing stock in Massachusetts were ineligible because the property did not meet VA guidelines.

A 97% Fannie Mae conventional loan with a 3%, zero interest, fully deferred down payment assistance loan, solved all these problems:

- A veteran with their significant other or best friend could buy a home, and get a loan using both incomes to qualify.
- When a reservist is activated and deployed they qualify for unemployment benefits under MassHousing's MIPlus™ insurance.

- An aged housing stock of two-to-four family homes and converted condominiums can now be purchased by an armed services veteran.
- Fannie Mae guidelines are much more flexible and easier for veterans to apply.
- Turnaround time is faster and loan terms more favorable.

In all – a conventional loan rate, discounted MIPlus™ insurance, combined with a zero interest deferred down payment assistance loan makes the Operation Welcome Home mortgage from MassHousing a very good deal when compared to a traditional VA loan and pricing available from VA lenders.

The program also works with MassHousing's recently announced Purchase and Rehab/Home Style Mortgage partnership with Fannie Mae. This will allow a veteran to acquire a home and finance up to 97% of rehab costs to cover the costs of adapting a property to meet a disabled veteran's housing needs. The Operation Welcome Home mortgage program supports veterans, active-duty military, members of the Reserves and National Guard, and Gold Star Families in achieving the dream of homeownership.

The program was announced on Veteran's Day, November 11, 2015. The very first applicants were Michael Stearns and his fiancée, Courtney Messenheimer. In the first five months of the program, MassHousing closed 13 Operation Welcome Home mortgages for armed services veterans who otherwise might not have been eligible for a VA loan. These 13 loans totaled \$3.4 million in financing. In calendar 2016, MassHousing closed 23 loans for \$9.5 million. As importantly, veterans now have expanded access to lenders in the state who are participating in MassHousing's Operation Welcome Home Program. Previously, only 26 of MassHousing's 150 lenders in the Commonwealth offered loans through the VA. Now – because of MassHousing's new program – a majority of the Agency's lenders are offering these Operation Welcome Home mortgages to our veterans.

MassHousing is receiving help in marketing this program to Massachusetts veterans through a collaborative effort with the Massachusetts Department of Veteran's Services Secretary, Francisco Urena, and Adjutant General of the Massachusetts National Guard, Major General Gary Keefe. The program is also promoted through veterans' services agents located in most cities and towns in Massachusetts. MassHousing has also received support from major cities and towns whose police force and fire departments are comprised largely of armed service veterans.

One MassHousing lender, Radius Financial, is even hiring veterans as loan officers and has equipped them with both the VA and MassHousing's Operation Welcome Home mortgages, to ensure that the veterans they serve get the best mortgage available.

MassHousing has budgeted \$3 million in down payment funding that will support \$100 million in loans over the next three years. MassHousing cannot identify a more deserving targeted customer segment than our US armed service veterans. Massachusetts veterans have protected the American Dream, and with the help of this loan program, they can live it.



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Operation Welcome Home

*You have served to protect the American Dream.
Now you can live it.*



Mission. Value. Service.

H O M E O W N E R S H I P

www.masshousing.com/owh



You served to protect the American Dream. Now, you can live it.

Operation Welcome Home is a mortgage program created by MassHousing to help Veterans, active service members, reservists, and Gold Star family members become first-time homeowners.

This program combines a traditional MassHousing loan for up to 97% of a home's value with a zero-interest, deferred downpayment/closing cost assistance loan of up to 3%. Operation Welcome Home is a safe, affordable way to purchase a home.

Program Features

- Competitive, fixed interest rates and 30-year terms with flexible credit and qualifying requirements
- A 0% interest, deferred down payment or closing cost assistance loan option of up to 3% for eligible borrowers
- Up to 97% loan-to-value (LTV) first mortgage financing on single-family homes and condos
- Up to 95% first mortgage financing on 2-, and 3-family homes; as little as 3% required from the borrower
- Loans insured by MassHousing feature MIPlus™ Payment Protection Benefit, for eligible borrowers. MIPlus™ will pay your monthly principal and interest (up to \$2,000) for up to six months if you are called to active duty, deployed, or lose your job and can collect unemployment.
- Lender paid or borrower paid mortgage insurance options are available
- Non-spouse co-borrowers allowed
- No residual income test used to qualify
- No previous rental history required for the purchase of a two- or three-unit property

Eligibility

To qualify for an Operation Welcome Home loan, you must

- Be an active duty military member; Veteran who served honorably; member of the Reserves or National Guard; or a Gold Star Family member
- Be a first time homebuyer*
- Purchase a 1- to 3-family property (including condos)
- Meet income and loan limits

Homebuyer Counseling

Homebuyer counseling is required for first-time home buyers. Landlord counseling is also required when purchasing a 2- or 3-family property.

How to Apply

Operation Welcome Home loans are made possible through a partnership between MassHousing and participating lenders across the state. For a complete list of lenders offering Operation Welcome Home, please call 888.843.6432 or visit www.masshousing.com/owh.

**You do not have to be a first-time homebuyer if you are purchasing a home in Boston, Chelsea, Cambridge, Everett, Fall River, Lawrence, Lynn, North Adams and Somerville.*

www.masshousing.com/owh

MassHousing does not lend directly to consumers and offers its loan products through MassHousing Approved Lenders.

Operation **Welcome Home**

You have protected the American Dream. **Now you can live it.**

You have served your country, now we hope this powerful mortgage product will serve you to make the dream of home-ownership a reality. Operation Welcome Home combines a traditional, fixed-rate first mortgage with a zero-interest, deferred down payment and/ or closing cost assistance loan option of up to 3%.

This is available exclusively for eligible first-time homebuyers who are purchasing a one- to three-unit property in Massachusetts and who are active duty military members; Veterans who served honorably; members of the Reserves and National Guard; and Gold Star Family members.

Features of Operation Welcome Home

- Competitive long term fixed-rate mortgage* with flexible credit and qualifying requirements
- An up to 3%, zero interest, deferred down payment or closing cost assistance loan option for eligible borrowers
- Up to 97% loan-to-value (LTV) first mortgage financing on single-family homes and condos with little or no borrower contribution required
- Up to 95% first mortgage financing on two-, and three-family homes with as little as 3% required from the borrower
- For buyers with less than 20% down, borrower or lender paid mortgage insurance options are available
- Loans that carry mortgage insurance will come with MIPlus™ Mortgage Payment Protection for eligible borrowers, a benefit that will pay your principal and interest (up to \$2,000) for up to six months if you are deployed or lose your job, or for Reservists and National Guard Members called to active duty
- Borrower income and loan limits vary by city or town. Please visit www.masshousing.com/homeownership for the most up-to-date information.
- A Purchase & Rehabilitation option is available

Benefits of Operation Welcome Home

- One fixed monthly principal and interest payment for the life of the loan
- Other approved community second programs, such as closing cost assistance, offered by city/towns and non-profits may be used for a maximum combined loan-to-value (CLTV) of 105%
- Condos follow conventional guidelines
- Non-spouse co-borrowers allowed
- No residual income test used to qualify
- No previous rental history required for the purchase of a two- or three-unit property
- Projected rental income from multi-family properties may be factored into total income for determining eligibility and qualifying
- Only one approval – both mortgage and mortgage insurance are through MassHousing
- Loan payments are made to MassHousing, a Boston-based, customer-focused service provider

** Your monthly payment will vary based on the loan amount, the interest rate available at the time of application, and other factors. Contact an approved MassHousing lending partner for additional information. Subject to credit approval.*



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