2013 Annual Awards Entry Form
(Complete one for each entry.)

Entry Name **Increasing Homeownership Through Partnerships and Programs**

HFA **MassHousing**

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Entry form with description, check(s), and visual aids (optional) must be received by NCSHA by **Monday, July 1, 2013.**

Use this header on the upper right corner of each page.

HFA ____________________

Entry Name ____________________

Communications	**Homeownership**	**Legislative Advocacy**	**Management Innovation**
☐ Annual Report ☐ Promotional Materials and Newsletters ☐ Creative Media	☒ Empowering New Buyers ☐ Home Improvement and Rehabilitation ☐ Encouraging New Production	☐ Federal Advocacy ☐ State Advocacy	☐ Financial ☐ Human Resources ☐ Operations ☐ Technology
Rental Housing	**Special Needs Housing**	**Special Achievement**	**Are you providing visual aids?**
☐ Multifamily Management ☐ Preservation and Rehabilitation ☐ Encouraging New Production	☐ Combating Homelessness ☐ Housing for Persons with Special Needs	☐ Special Achievement	☐ YES ☒ NO

Homeownership – Empowering New Buyers
MassHousing
Increasing Homeownership Through Partnerships and Programs

While much has been written about the collapse of the real estate market and the resulting "underwater mortgages" that plagued many existing borrowers – as important has been the chilling affect that the collapse has had on new home sales. Particularly hard hit have been first time low- and moderate-income homeowners who have found their financing options limited because of increasing downpayment requirements. Similarly, existing homeowners with low- and moderate-incomes have had difficulty refinancing because of changing lending requirements.

MassHousing's "No MI Mortgage Loan Program" is designed specifically to help these two categories of borrower. The goal of MassHousing's "No MI" product is to offer low rates, small downpayments and easy terms – essentially all the components that have typically characterized MassHousing loans – but that have been harder to achieve in the current market.

The Fannie Mae HFA Preferred and HFA Risk Share programs are available to all Housing Finance Agencies. By eliminating the need for mortgage insurance through this loan program, Fannie Mae has enabled MassHousing and other HFAs to save borrowers money every month on their mortgage payment. This is accomplished by charging the borrower a slightly higher rate than would be available as a very low rate in the conventional market. This concept works because even with the slightly higher rate – if mortgage insurance is eliminated –borrowers are still save money every month.

The requirements for the "No MI Mortgage Loan Program" are the same as MassHousing's traditional lending programs including a minimum credit score of 680, a debt-to-income ratio no higher than 41% and full documentation of a borrower's job status and income. First-time homebuyers must also still participate in homebuyer counseling. The program is also limited to households with incomes below 125% of median – which for Boston is approximately $125,000 per year.

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MassHousing acknowledges that offering a "No MI Mortgage Loan Program" is not unique to MassHousing at this time. However, the processes followed and the execution of this concept were such to generate a result that truly distinguishes MassHousing from other HFAs. It is this organized effort and the results that are worthy of recognition.

MassHousing, while an approved FHA lender has focused its residential lending activity on conventional loans because Massachusetts has not historically been an FHA market. There were few active FHA lenders in Massachusetts, and finding qualified business partners to originate FHA loans has always been a challenge.

Because of the challenges that FHA lending presented in Massachusetts, MassHousing began cultivating a relationship with Fannie Mae in 2004 by selling Fannie Mae whole loans as a supplemental funding source to mortgage revenue bonds. The effort was supported by primary mortgage insurance from MassHousing's own Mortgage Insurance Fund.

Over the years, this relationship evolved. With a lack of availability of conventional pool insurance to credit enhance mortgage revenue bonds, MassHousing moved to place the majority of its production into Fannie Mae mortgage backed securities to be used as collateral for MassHousing mortgage revenue bonds. In the initial relationship, MassHousing acted as an independent partner with Fannie Mae, negotiating its own credit variances and pricing with the GSE. By 2008 however, MassHousing was a lead negotiator in the first NCSHA/Fannie Mae Affinity Agreement.

MassHousing drew confidence from its early success and engaged consultants and actuaries to insure that the processes and financial management practices, including hedging loans in its pipeline and reserving for risk share liability were executed properly. The Agency literally moved from being a traditional HFA mortgage revenue bond lender to being a wholesale, low-and-moderate income focused, mortgage banker.

The relationship with Fannie Mae allowed MassHousing to grow its annual residential mortgage production from just under $200 million in 2005 to almost $700 million annually at the end of the first affinity agreement in 2009. MassHousing, working with Fannie Mae and its own Mortgage Insurance Fund, continued to originate mortgages at high levels in 2010 and 2011, during a period when many HFAs were struggling to fund their residential loan production.

It was also during this period that MassHousing acquired expertise in wholesale production of conventional loans, including: automated loan registration and underwriting; the securitization of loans into Fannie Mae MBS; the quality control of high levels of conventional loan production through the outsourcing of post-closing/pre-purchase quality control review; and pipeline management of conventional loans using standard MBS hedging methods. Staff worked closely with lenders, training them on the features and benefits of product variances with Fannie Mae to help them market the products against subprime mortgages and FHA programs with large non-MassHousing banks and mortgage companies. Fannie Mae worked tirelessly with the Agency during this time, participating in joint training sessions and marketing calls on MassHousing's largest lenders.

A successful combination of MassHousing's relationship with Fannie Mae and its overall experience positioned the Agency to take quick and full advantage of the most recently negotiated Affinity Agreement in late 2011 allowing MassHousing to launch both the Fannie Mae HFA preferred and Fannie Mae HFA Risk Share programs in January 2012.

The program's success thus far has been astounding – and beyond anything MassHousing could have anticipated. Specifically, loan production rose to $1.1 billion in calendar 2012, 50% higher than the previous record high year of 2009 (the year of the first NCSHA Affinity Agreement).

Originations at record high levels continue and the fiscal year is expected to end (on June 30, 2013) with approximately $1.3 billion in residential mortgage production. MassHousing's statewide market share of conventional, purchase-money, mortgage loans increased from 3.4% in fiscal year 2010 to 8.4% in fiscal year 2013. Most importantly, MassHousing achieved a 10.01% market share (up from 4.46% in 2010) in the state's 24 "Gateway Cities". These are cities that have been identified by Governor Patrick and the Massachusetts Legislature as having the highest density of low-income residents, and the lowest levels of academic achievement. These "Gateway Cities" are therefore targeted for additional resources from programs through state government.

In addition, the Fannie Mae relationship has enabled MassHousing to expand its services to markets outside traditional mortgage revenue bond, first-time homebuyers. In 2012, refinances comprised 30% of the Agency's production. For those borrowers, loans with Fannie Mae variances and pricing often enabled borrowers unable to refinance through other markets to refinance with MassHousing. The average MassHousing rate and term refinance saved Agency borrowers $400 in monthly mortgage payments. Those 1,500 borrowers saved in total $600,000 a month or $7.2 million in mortgage payments that went right back into the Massachusetts economy. This would not have been possible under the old mortgage revenue bond model.

In summary, the Agency's ongoing relationship with Fannie Mae which was carefully fostered has culminated in 2012-2013 with MassHousing becoming Fannie Mae's top HFA lender in the United States, and one of their top overall lenders in New England.

MassHousing's model has proven to be a great success and homebuyers and homeowners in Massachusetts have benefitted tremendously.