

MaineHousing's Gift of Green

It's a great time to be a first-time homebuyer.

Interest rates are low. There is a plentiful supply of homes for sale and many sellers are eager to negotiate on the price. The federal government is offering a first-time homebuyer tax credit of up to \$8,000.

It's a great time to be a first-time homebuyer, that is, if you have enough savings to cover the cost of the down payment, closing expenses, and other escrowed costs.

Unfortunately, too many Maine people who could afford the monthly payments on a home do not have enough savings to take advantage of today's market. Others have adequate savings, but have been hesitant to use them during troubled economic times.

MaineHousing set out to stimulate Maine home sales – and at the same time improve the energy efficiency of Maine homes – with its “Gift of Green” campaign.

The Gift of Green provides eligible first-time homebuyers a grant equal to 4 percent of their mortgage (up to a maximum of \$5,000) toward down payment and closing costs. The Gift of Green also provides a coupon worth up to \$500 for a two-part home energy audit.

First-time homebuyers, in addition to the Gift of Green worth up to \$5,000, are eligible for a federal tax credit of up to \$8,000. Some of this federal tax credit money can be invested in home energy efficiency improvements that may qualify the homeowners for additional tax credits worth up to \$1,500.

That's a total package of incentives worth \$15,000.

Alternatively, the borrower can take advantage of the home energy audit before closing, and finance home energy efficiency improvements as part of the mortgage transaction. Home energy improvements are the gift that keeps on giving – because they can save homeowners up to 20% on energy expenses every year.

The Gift of Green promotion is offered as part of MaineHousing's First Home Program. This means borrowers also benefit from:

- A low fixed interest rate (currently 5.25 percent)
- Little or no down payment
- A fixed rate-30-year term
- Zero or no point options
- Payment protection for unemployment

MaineHousing secured a low interest rate on the housing bonds it sold to fund the program, and is financing the Gift of Green grant from proceeds of the bond sale.

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The active and enthusiastic support for the program from Maine's lending and real estate communities has been a key to the program's success. Organizations representing these industries worked with MaineHousing to get word out to their members about the Gift of Green, and distributed postcards and flyers to them on behalf of MaineHousing.

Maine Governor John E. Baldacci officially launched the new program with a press conference on June 18. Representatives from the Maine Association of Realtors, the Maine Association of Community Banks, and the Maine Credit Union League joined Governor Baldacci at the press conference, as did MaineHousing's Director.

Other steps to market the Gift of Green promotion included:

- Development of a Gift of Green logo and a web sticker for lending and real estate partners
- A radio ad campaign
- Paid advertising on Facebook
- An e-postcard to potential borrowers

The marketing campaign cost \$55,500, with 80 percent of the money going for purchase of radio spots.

The campaign has been effective in helping Maine families become homeowners and energizing Maine's housing market.

In June, for the first time in many months, Maine's real estate industry reported selling more homes in 2009 than they had sold in 2008 over the same period.

"We have seen a big impact on first-time homebuyers," the director of the Maine Association of Realtors was quoted as saying in a July newspaper article. "It's both the federal tax credit and the incentive the Maine State Housing Authority has put together that has really increased activity."

In addition to helping Maine's housing market, the Gift of Green program has had a positive impact on MaineHousing's homeownership program. The program had been stagnant for much of the year, due to a slow market and the prevalence of very low interest rates offered through federal entities such as Fannie Mae. During May, MaineHousing's homebuyer program processed just six loans.

The Gift of Green turned this around virtually overnight. In the first week after the program announcement, participating lenders reported receiving applications for 38 loans. Between mid-June and mid-July, lenders who take part in MaineHousing's program reserved \$20 million of MaineHousing mortgage financing for 158 loans.

MaineHousing expects to finance approximately 500 to 600 Gift of Green grants and energy audit coupons. The grants and coupons are awarded on a first come, first served basis.

MaineHousing may continue the program if the federal government extends the federal tax credit program.

The Gift of Green program responds to several MaineHousing goals. It helps Maine families become homeowners; it rekindles Maine's housing market; it provides employment in housing and housing related industries, and it encourages homeowners to make their homes more energy efficient, saving them money and reducing Maine's carbon footprint.