

Homeownership: Empowering New Buyers MassHousing – Home for the Brave

*Poor is the nation that has no heroes.
Poorer still is the nation that forgets them.*
– *Anonymous*

HFAs and Mission: the Home Ownership Perspective.

Housing Finance Agencies create homeownership opportunities. Housing Finance Agencies create affordable homeownership opportunities. Housing Finance Agencies create affordable homeownership opportunities for homebuyers whose needs are not met by the traditional market.

All of these statements are true. With almost thirty years of history in home mortgage lending in Massachusetts – the challenge for MassHousing is to continue to find *new* ways to accomplish its mission beyond these static definitions and to find *new* ways to partner with other stakeholders to create superior homeownership products that meet the needs of consumers in Massachusetts.

MassHousing’s “Home for the Brave” loan program was the collaborative effort of many different players in Massachusetts – who came together in response to MassHousing’s challenge, “What more can we do for our military veterans?”

Breaking New Ground for Those Who Stood Their Ground.

MassHousing’s efforts to develop its “Home for the Brave” program began with an intensive look at the biggest issues facing veterans in Massachusetts. According to the Secretary of Veterans Services there are an estimated 400,000 veterans in the Commonwealth. Housing, employment, education and health care are cited as the four biggest issues facing veterans. While there are many defined veterans programs relating to employment, education and health care and even rental housing – homeownership opportunities geared specifically to veterans have, over recent time, proven to be elusive.

All first-time homebuyers approach the homebuying process with their own unique set of circumstances – and emotions that can range from excitement to anxiety. For active members of the armed service as well as military veterans, the conventional requirements of a home mortgage are often at odds with their life circumstances.

Take as an example, Sgt. Joshua Brett and his wife, Tracy. Sgt. Brett is a ten-year veteran who has completed three tours of duty in Iraq. Sgt. Brett and his wife wanted to buy a home of their own, but they were having difficulty finding a lender, because, due to his deployment, it appeared that Sgt. Brett did not have 12 months of stable employment experience.

MassHousing considers homebuying obstacles such as this unacceptable. With its “Home for the Brave” loan program, MassHousing brought together a large number of players to create a mortgage program that meets the unique needs of veterans and their families. It came together in several parts and through a lot of hard work.

The “Stone Soup” of the Home for the Brave Program.

Home Ownership loans under the “Home for the Brave” program are available to all veterans of the U.S. Armed Services, active-duty military and spouses of soldiers, sailors, airmen or Marines killed while on active duty. Sounds like a noble concept. Getting there required combining resources from a number of diverse sources, many with divergent interests. That’s where having a noble concept helps.

First, MassHousing sought a source of funds for the “Home for the Brave” loans that would not be taxpayer funded and that could be available *in addition* to MassHousing’s traditional tax-exempt bond financing. Agency staff actively sought lending commitments from banks and credit unions with whom the Agency had a business relationship. Through this effort, just over 50 lending institutions committed more than \$200 million in private funding to MassHousing’s “Home for the Brave” program.

These MassHousing lenders participate by providing thirty-year, fixed-rate mortgages, as a portfolio Community Reinvestment Act (“CRA”) product. Their contribution allows MassHousing to offer this mortgage product with no points, reduced closing costs, and at a rate lower than the traditional fixed-rate mortgage rate. Loans are made for up to 100% of the purchase price of the property and are not limited to first-time homebuyers. Lenders could also offer MassHousing’s mortgage revenue bond and Fannie Mae products under this program.

Because the loans made by private lenders are insured by MassHousing’s Mortgage Insurance Fund (“MIF”), it is possible for lenders to make zero-down payment loans and also to allow for more flexible underwriting (i.e. credit scores and debt ratios) than can be found in the conventional mortgage lending industry because MassHousing’s MIF is absorbing the risk.

MassHousing insures all “Home for the Brave” loans. This provides a tremendous advantage to the borrower because of MassHousing’s value-added mortgage insurance product known as MI Plus™. MI Plus™ is MassHousing’s unique mortgage payment protection insurance which pays the principal and interest on a homeowner’s mortgage for up to six months if he or she should lose their job.

For use with “Home for the Brave” loans, MassHousing modified MI Plus™ to provide specific armed service benefits. As such, MassHousing’s MI Plus™ product *pays* the principal and interest on a veteran’s mortgage for up to six months in the event of a job loss or military deployment. Armed servicemen and women looking to buy a home prior to their anticipated separation from active duty are given involuntary unemployment protection during the time between active duty and private employment. A second modification is made for activated reservists and National Guard members eligible for involuntary unemployment benefits during the first six months of their deployment, even though they were not unemployed.

At the same time, Fannie Mae, a strategic MassHousing business partner, has made an additional \$300,000 contribution that covers up to \$1,500 towards closing costs for borrowers in this program. A tremendous advantage of this contribution is that the grant and individual borrower assistance is not conditional on Fannie Mae financing and therefore is available to every “Home for the Brave” borrower.

As another feature for this program, certain title insurance companies participate by offering below market premium rates on title insurance.

Just as importantly, “Home for the Brave” captures and combines a benefit provided by the Veterans Administration which provides home remodeling grants for up to \$50,000 to returning servicemen and women in need of property modifications to support a disability incurred while serving in the military.

Bringing It On Home.

On July 2, 2008, Massachusetts Governor Deval Patrick announced MassHousing’s “Home for the Brave” program in the historic Memorial Hall at the Massachusetts State House. Launching the public awareness campaign for this program just before the July 4th holiday was a fitting reminder of the sacrifices made by the men and women of our armed forces, and the challenges they face in finding homes for themselves and their families upon returning from combat, as well as the difficulties they often encounter paying for their homes during their deployment.

The marketing of the program was done through public service announcements and utilized each of 351 community based veteran’s agents who distributed collateral materials on the program to veterans in each of their respective cities and towns.

At the very end of July 2008 – just 29 days after Governor Patrick announced the “Home for the Brave” loan program – the first loan was closed for Army Sgt. Joshua Brett and his wife Tracy.

Sgt. Brett was the veteran whose dream of homeownership may have seemed out of reach. That was until his mortgage broker learned of the “Home for the Brave” program. Just two weeks after Sgt. Brett and his wife heard about the program, they moved with their two children into their first home in East Freetown, Massachusetts.

It is unusual to announce a new program and close the first loan in 29 days, but this demonstrates both the need for the “Home for the Brave” program and the determination of our veterans to create a secure and sustainable home for their families.

All of those involved in the program’s creation – elected and state officials, banks, veteran’s organizations and MassHousing – recognize that there is a responsibility to ensure that the men and women who answer the call of duty, and their families, receive more than just access to our traditional affordable mortgage programs. They deserve our best effort to create a program just for them – because of the debt we all owe to them for their bravery and selflessness and honor. Sgt. Brett was scheduled to be discharged from the Army in early 2009.

In the twelve months following the announcement over \$5 million in mortgage loans were made to Armed Service veterans under the “Home for the Brave” program. None as yet have required the benefits of MI Plus™ provided by MassHousing’s mortgage insurance program – but the benefit is there if they need it – just like those brave men and women are always there when their country needs them.

“Home for the Brave” isn’t the biggest mortgage loan program at MassHousing – but this was never the goal. The goal was creative thinking and program design to make the dream of homeownership affordable to a group of men and women who are underserved by the traditional mortgage market. That these men and women are our country’s heroes is really just the icing on the cake.