



Entry Form 2018 Annual Awards for Program Excellence

Entry Deadline: Friday, June 15, 2018, 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.

Access Programs

Category: Homeownership

Subcategory: Empowering New Buyers

Entry Summary: A 15-word (max) summary of the program, project, or practice you are entering.
Forgivable, repayable, and deferred down payment assistance options improve
consumer choice in a competitive marketplace.

HFA: Illinois Housing Development Authority

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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:

- ☒ My HFA is mailing a check to NCSHA.
☐ My HFA is emailing the credit card authorization form to awards@ncsha.org.

Background

In the last five years, the National Housing Survey indicates that in the Midwest the Home Purchase Sentiment Index (HPSI), which indicates consumer's attitudes about the housing market, has improved. In addition, over 60% of consumers say that if they had to move they would buy instead of rent and feel that it is a good time to buy. In the last year, survey respondents finally began to trust that the economy is on the right track. However, despite this growing confidence among potential homebuyers, restrictive mortgage lending standards continue to prevent many financially qualified households from buying. Rising home prices may sound good to sellers, but coupled with rising interest rates, it can be challenging for low- to moderate-income borrowers who rely almost exclusively on financing to enter the market.

In addition to the challenges all homebuyers face, the growing burden of debt prevents many younger families from breaking into the market. The average household in the United States has \$15,983 in credit card debt and \$47,047 in student loans, leaving few opportunities to save for a down payment. While monthly mortgage payments may be affordable for the buyer, saving such a large initial lump sum can prove to be an obstacle. The National Association of Realtors' (NAR) Homeownership Opportunities and Market Experience Survey (2018 Q1) showed that among non-owners, 47 percent could not save for a down payment because they have limited income, and 30 percent believe it would be difficult because of their student loan debt.

As down payment assistance has become more critical for low- and moderate-income borrowers over the last few years, the Illinois Housing Development Authority (IHDA) has had more competition than ever from local banks and housing authorities offering their own down payment assistance programs. Our current product at the time, *@Home*, could not compete with other programs out there, and IHDA needed to develop something new and innovative. In order for more borrowers to access our programs, we need lenders and realtors to have an easier time understanding our programs so it is easier for them to sell. We knew we could do this if we created a one-stop shop with programs for homebuyers in all situations. By making it simple and easy to use IHDA, we can show that borrowers and lenders only need to come to IHDA, because we offer what others do, plus more.

An Important Housing Need

Not only is homeownership an important part of the American Dream, it is of vital importance to the economy and the community. Typically, a home purchase will lead to new furniture and remodeling, as well as future home purchases, which will likely be of a higher sale price. According to NAR calculations, one new job is supported from every two home sales. Children whose parents own a home do better in school both on tests and socially, they have lower crime rates and drug usage, and have better health outcomes. Generally when community members own their home they are more involved in volunteering and local political races, etc.

The fact that the down payment creates a roadblock to buyers is of great concern to IHDA. While one program alone could help, IHDA opted to create a suite of down payment assistance programs meant to address individuals in many situations, in concert with a new marketing effort.

Innovation

On February 1, 2018, IHDA rolled out IHDA Mortgage, a marketing technique to help lenders and buyers alike find our selection of down payment assistance (DPA) programs above others. This includes a new logo, a new set of flyers (featuring a borrower who previously used an IHDA product), pop-up banners, social media campaign, a new proxy email address, a new PowerPoint template, and a new website solely dedicated to our participating lenders, realtors and homebuyers. In conjunction with this announcement was the introduction of the three new Access Programs created in partnership with the IHDA Finance Department and the Lender Advisory Council (comprised of IHDA lending partners). These were Access Forgivable, Access Deferred, and Access Repayable. These naming conventions give us the ability to change the percentages and dollar amounts going forward while keeping the same three types of programs.



IHDAAccess *Forgivable* MORTGAGE

This DPA comes in the form of a forgivable second mortgage for an owner occupied, primary residence purchase. Assistance is limited to 4% of the purchase price up to \$6,000. The DPA second must be used in conjunction with an IHDA 30-year fixed rate first mortgage. These funds may cover down payment assistance and/or closing costs. The second mortgage shall be forgiven pro rata on a monthly basis over a 10-year forgiveness period.

IHDAAccess *Deferred* MORTGAGE

This DPA comes in the form of a deferred second mortgage for an owner occupied, primary residence purchase. Assistance is limited to 5% of the purchase price up to \$7,500. The DPA second must be used in conjunction with an IHDA 30-year fixed rate first mortgage. These funds may cover down payment assistance and/or closing costs. The second mortgage term shall be 30 years, and the full principal balance of \$7,500, less any optional payments, is due upon the sooner of the maturity date or repayment of the first mortgage (including refinance or sale of the property). The second mortgage may be pre-paid at any time without penalty.

IHDAAccess *Repayable* MORTGAGE

This DPA comes in the form of a repayable second mortgage for an owner occupied, primary residence purchase. Assistance is limited to 10% of the purchase price up to \$10,000. The DPA second must be used in conjunction with an IHDA 30-year fixed rate first mortgage. These funds may cover down payment assistance and/or closing costs. The second mortgage term shall be 10 years, and the full principal balance shall be repaid monthly over the 10-year term at 0% interest. The second mortgage may be paid off at any time prior to maturity and carries no pre-payment penalty.

IHDA opted for a suite of programs to allow borrowers to select a solution best for their situation. If a borrower knows they will not have the additional funds to pay back a second mortgage, they can choose Access Forgivable as payback is not required. If a borrower knows they will have additional funds later down the line, they may opt to select Access Deferred, which will not require repayment until the

maturity of the first mortgage or a sale/refinance. The Access Repayable option is great for someone that will have additional funds for a monthly payment but is only struggling with the initial lump sum.

To allow a new selection of borrowers, IHDA also altered some of the requirements for these programs. The programs are open to all borrowers, first-time and non-first-time, across Illinois. Like many other states, Illinois struggles to have affordable housing stock available to potential homeowners or those looking to move. For those borrowers that take advantage of new construction or build their own, IHDA opened restrictions on these programs to allow the purchase of newly constructed homes. All IHDA Mortgage programs require borrowers to meet IHDA income and purchase price limits, a minimum credit score of 640, and 45% DTI maximum.

Results

IHDA had a goal to not only offer a customizable suite of programs, but to create an overarching, integrated marketing campaign to improve brand recognition and to effectively communicate the benefits of each program. While currently in its infancy, we have seen great results since launch. Compared to the same time last year, we have increased the number of borrowers using our purchase programs by 4%, and 98% of our borrowers are first-time homebuyers. The program has also allowed us to reach an additional 14 counties compared to the same period last year.

One borrower noted, “Although I have had a stable job for the past five years, I have not been able to save up a lot of money because of student loans and other expenses...If it was not for this program, I would not even consider purchasing a home at this point in my life.”

Replicability

To determine what programs best would serve the community, IHDA hosted a Lender Advisory Council in which lenders provided their input for their ideal programs. Homeownership staff then took those ideas to the Finance Department to help them become a reality. About six weeks before program launch, IHDA began to tease the program announcement to partnering lenders. About three weeks out, IHDA hosted two separate program training and announcement webinars to over 1,200 participants using a modern and branded PowerPoint deck. At program launch, IHDA released customized document sets, branded flyers (both customizable and not), one page fact sheets, and an updated Program Matrix. To promote the programs, our Account Managers traveled statewide to attend community events as well as realtor, lender, and housing counseling agency trainings.

Conclusion

The benefits of the program far exceed its costs by helping address and overcome the obstacles that prevent Illinois citizens from becoming homeowners. With the purchase of a home comes the pride of ownership and a sense of belonging in a community, creating neighborhood assets, helping families grow and supporting the economic recovery of Illinois. Through the Access Programs, we are able to engage buyers in Illinois, educate them on why buying now makes sense, and help them choose the product that is most financially appropriate for their situation.

When homeownership is achieved responsibly, everyone wins. Through the Access Program, we are turning sustainable homeownership into a reality.