

THE HFA INSTITUTE 2019

Affordable Housing Industry Transformation (AHIT)

Affordable Housing Projects
Specialty Mortgage Product Solutions, LLC
Dottie Sheppick



**HOME and
Housing Trust
Fund**
JANUARY 13 – 15



**MRBs and
Other Federal
Homeownership
Programs**
JANUARY 16 – 18



**Section 8 and
Other Federally
Assisted
Multifamily
Housing**
JANUARY 16 – 18



Housing Credit
JANUARY 15 – 17





Affordable Housing Program Consistent Format Template

Background

- There are approximately 2,400 affordable housing programs available across the country
- For the first mortgage to be eligible for sale to the GSEs or eligible for government financing, the affordable housing program must be reviewed to ensure compliance with investor and insurer guidelines
- If the program does not meet eligibility requirements, the first mortgage may require repurchase or indemnification
- The program guidelines include numerous complex features, such as shared appreciation scenarios, deed restriction extinguishment timelines, ability to recover excess funds, monthly mortgage payment structures and forgiven over time 1099 servicing requirements
- Lenders require a lengthy process to gain internal approval of a program, **they are dire need of a speed to market solution for:**
 - HFA first mortgage programs
 - Down payment assistance second mortgages
 - Grants/Gifts
 - Inclusionary zoning (resale price deed restrictions)
 - Employer assisted housing
 - Section 8 Housing Choice Vouchers
 - Mortgage Credit Certificates



Affordable Housing Program Consistent Format Template

Organization

With an eye towards technology the working group will reorganize the placement of categories based on logical workflow



Content

The working group will examine the content, language and categories for industrywide universal applicability

Functionality

Automation vision is mission critical. Business rules, drop-downs, picklists, system defaults and narrative fields will be established

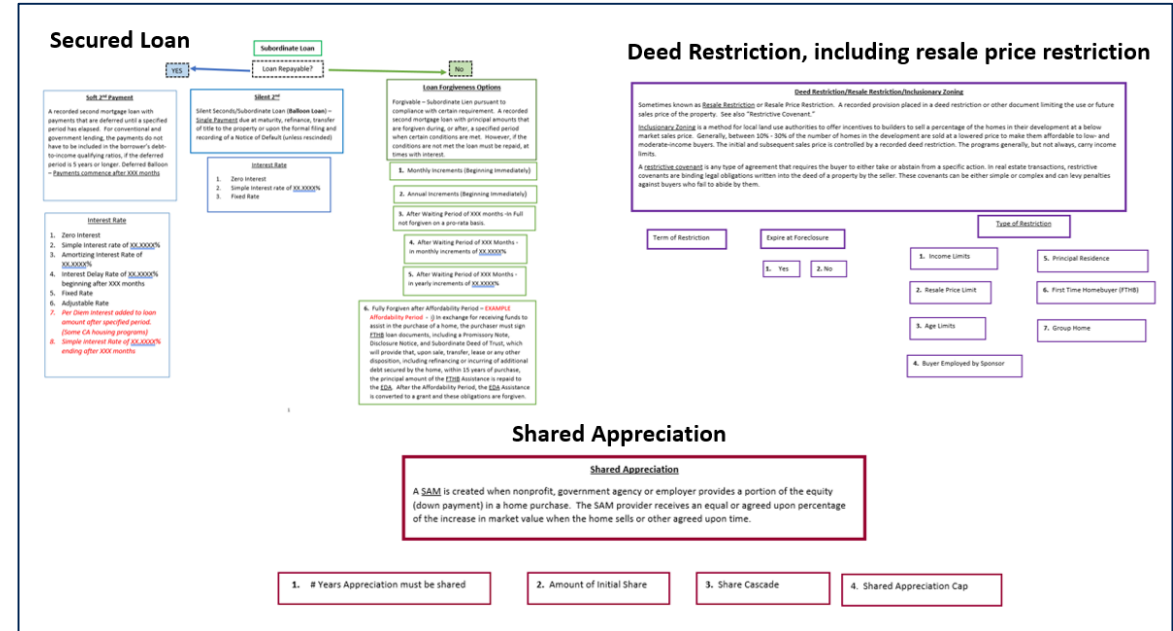
Steps to Current Status of the Uniform Program System Template

- In 2017, SMPS was engaged by Freddie Mac to conduct a feasibility study on the potential to increase lender participation in affordable housing programs by bringing efficiencies and standardization to affordable housing programs offered by state and local HFAS, nonprofits and employers
- Interviews with Guild Mortgage, Wells Fargo, US Bank (as originator and HFA Master Servicer), Lakeview Loan Servicing, Mountain West, Bank of America, Chase, five HFAs, eight technology providers, the MBA and NCSHA indicated a strong support of efforts to develop a more standard process
- Guild Mortgage shared the HFA program Template they had created with the Western State Housing Finance Agencies to help launch the project
- Freddie Mac created a working team of industry participants, known as the Affordable Housing Industry Transformation Team (AHIT) and held 27 meetings focused on a data-field by data-field review to determine three things:
 - 1) What content/data is critical to lenders as they determine if they can participate in a program, such as program eligibility features, servicing requirements, payback provisions, overlays, fees, insurance, compliance, etc.
 - 2) How the data should be organized to ensure excellent user experience when the program data is input into the system and how the data is displayed to the end user
 - 3) What automation is required to support the development of numerous program descriptions in a common, consistent format, such as, dropdowns, picklists, slide buttons, expanding and collapsing fields
- The AHIT team completed the final draft in November of 2018

Affordable Housing Program Uniform Subordinate Mortgage Legal Documents

Research Method and Approach

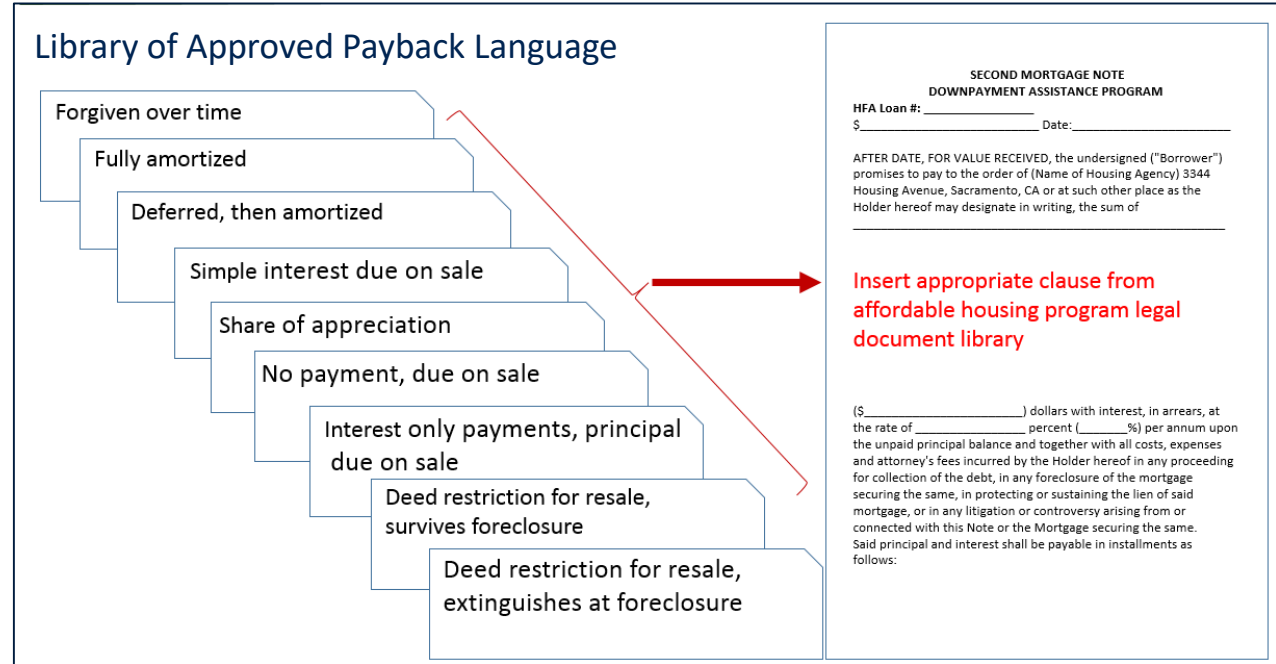
- Conducted an internet search of all 50 state HFAs to determine the payback provisions for their subordinate affordable programs
- Compared internet search results to recent FDIC publication of state HFA programs
- Where possible captured a URL link to the HFA program legal documents
- Determined there are 28 options and created a “waterfall” of the different program types
- Working with a team of industry lawyers to develop the standard language
 - Developing state specific subordinate mortgage note, security instrument and payback clauses
 - Developing “library” of clauses for inclusion in state specific documents



Affordable Housing Program Uniform Subordinate Mortgage Legal Documents

Legal Document Development Approach

- Determined that legal document drafts would begin with CA, a trust deed state and FL, a judicial foreclosure state
- Determined that payback clause drafts will begin with a 0% interest silent second



Affordable Housing Program Consistent Format Template and Uniform Subordinate Mortgage Legal Documents

Attainable Results for Lenders, Affordable Housing Program Providers and Consumers

- Increase speed to market and reduce Lender resources required to participate in hundreds or even thousands of programs
- Increase loan manufacturing quality
- Encourage big banks and nationwide lenders to re-enter the HFA loan production business
- Bring clarity to complex payback provisions and servicing requirements
- Introduce technology solutions for program offering entities
- Reduce expenses for housing agency legal counsel
- Lends itself to technology adoption
- Improves clarity and transparency for the borrowers
- Consistent, reliable industry approved standardized legal documents creates opportunity for liquidity